ELLIS : LAWHORNE

John J. Pringle, Jr.
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February 2, 2005

VIA HAND-DELIVERY
The Honorable Charles L.A. Terreni
Executive Director
SC Public Service Commission
P.O. Drawer 11649
Columbia, SC 29211

RE: Application of ATX Licensing, Inc. for a Certificate of Public Convenience and Necessity to Provide Resold Intrastate Interexchange Telecommunications Services Within the State of South Carolina And for Alternative Regulation First Approved in Docket No. 95-661-C
Our File No. 978-10286

Dear Mr. Terreni:

Enclosed is the original and ten (10) copies of the **Application** filed on behalf of ATX Licensing, Inc. in the above-referenced matter.

Please acknowledge your receipt of this document by file-stamping the copy of this letter enclosed, and returning it via the person delivering same.

If you have any questions or need additional information, please do not hesitate to contact me.

Very truly yours,

John J. Pringle, Jr.

John J. Pringle, Jr.

JJP/cr
cc: Mr. Bruce Bennett [via first-class mail service]
Brett P. Ferenchak, Esquire [via first-class mail service]
Office of Regulatory Staff [via first-class mail service]
Enclosures
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BEFORE THE
SOUTH CAROLINA PUBLIC SERVICE COMMISSION

In the Matter of the Application of	)	
	)	
ATX Licensing, Inc.	)	
	)	
for a Certificate of Public Convenience	)	Docket No.
and Necessity to Provide Resold Intrastate	)	
Interexchange Telecommunications Services	)	
and for Alternative Regulation	)	
First Approved in Docket No. 95-661-C	)	

APPLICATION

ATX Licensing, Inc. ("ATX" or "Applicant"), by its undersigned counsel and pursuant to South Carolina Code § 58-9-280 and the rules and regulations of the South Carolina Public Service Commission ("Commission"), hereby submits its Application for a Certificate of Public Convenience and Necessity to provide resold interexchange services in the State of South Carolina.[1] Applicant requests, pursuant to S.C. Code Ann. § 58-9-585 and the general regulatory authority of the Commission, that the Commission regulate its interexchange service offerings as described below in accordance with the principles and procedures established for alternative regulation in Commission Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C, and as modified by Commission Order 2001-997 in Docket No. 2000-407-C. Applicant further requests, pursuant to S.C. Code Annotated Regs. 103-601(3), that the Commission waive the application of certain

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1 Applicant, its ultimate parent company, ATX Communications, Inc., and its affiliates (collectively, the "Debtors") currently operate their business as debtors-in-possession under the protections of chapter 11 of the U.S. Bankruptcy Code. *In re CoreComm New York, Inc.,* Chap. 11 Case No. 04-10214 (PCB) (Bankr. S.D.N.Y.). On January 24, 2005, the Debtors filed a First Amended Joint Plan of Reorganization ("Plan") with the Bankruptcy Court that would enable the Debtors, including Applicant, to emerge from bankruptcy on or about April 1, 2005. The Plan requires that the existing equity in the Debtors be cancelled and that all of the equity in the reorganized Debtors be issued to Leucadia National Corporation ("Leucadia"), the holder of the Debtors' senior secured debt. Thus, Leucadia will control the reorganized Debtors, including Applicant, once the Plan takes effect on or about April 1, 2005. The Plan also provides for, among other things, (1) an exit facility of up to $25 million, which will likely be guaranteed by Applicant and all, or substantially all, of its affiliates and secured by a lien on and security interest in substantially all of the assets of the reorganized Debtors, including those of Applicant, (2) the issuance to certain creditors of the Debtors of notes totaling $2 million, and (3) other financing arrangements that may require a guarantee by Applicant or a security interest in the assets

Commission Rules, as outlined herein. In support of this Application, ATX provides the following information as well as a proposed initial tariff:

I. DESCRIPTION OF THE APPLICANT

1. Applicant's legal name is ATX Licensing, Inc. Applicant may be reached at its principal place of business:

ATX Licensing, Inc.
2100 Renaissance Boulevard
King of Prussia, PA 19406

ATX is a wholly owned subsidiary of ATX Communications, Inc.

2. Correspondence or communications pertaining to this Application should be directed to Applicant's attorneys of record:

John J. Pringle, Jr.
Ellis, Lawhorne & Sims, P.A.
1501 Main Street, 5th Floor
Columbia, South Carolina 29201
Tel: (803) 343-1270
Fax: (803) 799-8479
Email: jpringle@ellislawhorne.com

and:

Eric J. Branfman
Brett P. Ferenchak
SWIDLER BERLIN LLP
3000 K St., N.W., Suite 300
Washington, D.C. 20007-5116
Tel: (202) 424-7500
Fax: (202) 424-7645
Email: EJBranfman@swidlaw.com
BPFerenchak@swidlaw.com

of Applicant.. It is Applicant's understanding that none of these transactions require Commission approval.

3. Questions concerning the ongoing operations of Applicant following certification should be directed to:

Bruce Bennett
Vice President for External Affairs
ATX Licensing, Inc.
70 West Hubbard Street, Suite 410
Chicago, IL 60617
Tel: (312) 445-1161
Fax: (312) 445-1232
Email: Bruce.Bennett@atx.com

4. Applicant is a Delaware corporation formed on March 21, 2000. A copy of Applicant's (1) Certificate of Good Standing from the Delaware Secretary of State and (2) Articles of Incorporation are attached hereto as Exhibit 1. Evidence of Applicant's Authority to Transact Business in the State of South Carolina is attached hereto as Exhibit 2. ATX's registered agent in the State of South Carolina is:

National Registered Agents, Inc.
2 Office Park Court, Suite 103
Columbia, SC 29223

II. ADDITIONAL BACKGROUND REGARDING APPLICANT

1. In good faith and in the interest of full disclosure, ATX informs the Commission that it is currently providing resold interexchange services in South Carolina. ATX provides such incidental services to branch offices of fifty-six (56) business customers whose principal service location is in another state in which ATX is authorized to provide interexchange service and has been actively marketing services.

ATX recently discovered that it was providing intrastate long distance services without proper Commission authorization while conducting due diligence related to its impending emergence from bankruptcy. In an effort to rectify this situation, ATX promptly prepared and filed this application for authority to provide telecommunications services in South Carolina. In addition, ATX is in the process of developing and implementing a compliance program to protect against similar mistakes in the future. To the extent possible, and in recognition of ATX's voluntary disclosure, ATX respectfully requests that the Commission grant this application on a *nunc pro tunc* basis.

III. DESCRIPTION OF SERVICES

1. Applicant seeks authority to provide resold interexchange telecommunications services to and from all points in the State of South Carolina. Therefore, Applicant seeks statewide authority.

2. ATX intends to offer a full range of interexchange telecommunications services, including MTS, WATS, toll-free and calling card services primarily to its customers of other states with satellite office locations in South Carolina.

3. With regard to the composition of its network, ATX will lease the fiber optic facilities of other carriers or construct its own facilities, depending on current needs and market conditions.

4. ATX will continuously monitor and maintain a high level of control over its network on a 7 days a week, 24-hours a day basis through its network operations center or through its authorized network provider. For the convenience of its customers, ATX will maintain the following toll-free customer service number: 800-220-2892.

5. ATX does not currently own any facilities in the State of South Carolina in connection with or to facilitate communication by telephone.

IV. FINANCIAL, TECHNICAL AND MANAGERIAL QUALIFICATIONS

1. ATX possesses the financial, technical, and managerial qualifications to provide its proposed telecommunications services. ATX is a facilities-based integrated communications provider offering local exchange carrier and inter-exchange carrier telephone, Internet, e-business,

high-speed data, and wireless services to business and residential customers in targeted markets throughout the Mid-Atlantic and Midwest regions of the United States. ATX and its affiliates currently serve more than 300,000 business and residential customers. ATX is currently authorized to provide intrastate interexchange telecommunications services in Alaska, California, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Iowa, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Montana, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, Virginia, and West Virginia. ATX is also authorized to provide local exchange telecommunications services in Delaware, the District of Columbia, Maryland, New Jersey, New York, and Pennsylvania.

2. ATX possesses the experience and qualifications to provide telecommunications services in South Carolina. Attached hereto as Exhibit 3 are brief biographies, including descriptions of technical and managerial qualifications, of the persons who will manage ATX's operations in South Carolina. Those descriptions contained in Exhibit 3 demonstrate that ATX has sufficient telecommunications experience to provide the proposed services.

3. ATX is financially qualified to provide telecommunications services in South Carolina, as it has access to the financing and capital necessary to conduct its telecommunications operations as specified in this Application. Although Applicant does not keep separate financial statements, Applicant's financials are included in the consolidated financial statements of ATX Communications, Inc. ("ATX Communications"), Applicant's ultimate parent company. Applicant, ATX Communications, and its affiliates filed for Chapter 11 bankruptcy protection in January 2004. Therefore, the last audited financial statements that ATX Communications filed was its SEC Form 10-K for 2002. ATX Communications has been filing monthly operating reports with the bankruptcy court which include a monthly snapshot of Applicant's finances. The financial

statements from the 2002 SEC Form 10-K[2] and the most recent operating report are provided as Exhibit 4. This exhibit is offered to demonstrate Applicant's financial ability to provide the proposed services in South Carolina.

V. REGULATORY COMPLIANCE AND WAIVER REQUESTS

1. As required by South Carolina Code 58-9-280, attached hereto is a copy of Applicant's proposed initial tariff containing rates, terms, and conditions for the services proposed herein. Attached as Exhibit 5 is ATX's proposed interexchange service tariff.

2. Applicant does not intend to directly market its services in South Carolina. Applicant does not currently have promotional materials to be used in South Carolina; however, if required by the Commission, Applicant will provide the Commission copies of such materials when they become available.

3. Pursuant to the South Carolina Public Service Commission's Order No. 95-658 (issued March 20, 1995), Applicant makes the following affirmation, which is included in Applicant's proposed tariff, attached hereto as Exhibit 5:

> As a telephone utility under the regulation of the Public Service Commission of South Carolina, Carrier does hereby assert and affirm that as a reseller of intrastate telecommunications service, Carrier will not indulge or participate in deceptive or misleading telecommunications marketing practices to the detriment of consumers in South Carolina, and will comply with those marketing procedures, if any, set forth by the Public Service Commission. Additionally, Carrier will be responsible for the marketing practices of its contracted telemarketers for compliance with this provision. Carrier understands that violation of this provision could result in a rule to show cause as to the withdrawal of its certification to complete intrastate telecommunications traffic within the state of South Carolina.

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2 A complete copy of the 2002 SEC Form 10-K is available at http://www.atx.com/atx_news_investorrelations.html.

4. As stated above, ATX's toll-free number for customer service is 800-220-2892. Customer service representatives will monitor calls to this number twenty-four hours a day, seven days a week. The toll-free customer service number will be printed on customer bills.

5. ATX requests a waiver of the requirement in Rule 103-610 that all records required under the rules be kept within the State. ATX maintains its records at its principal offices in the State of Pennsylvania.

6. ATX requests that it be exempt from any record keeping rules or regulations that might require a carrier to maintain its financial records in conformance with the Uniform System of Accounts ("USOA"). The USOA was developed by the Federal Communications Commission as a means of regulating telecommunications companies subject to rate base regulation. As a competitive carrier, ATX will not be subject to rate base regulation and therefore requests Commission approval of ATX maintaining its books in accordance with Generally Accepted Accounting Principals.

7. ATX requests that all of its business service offerings be regulated pursuant to the procedures described and set out in Commission Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C, as modified by Commission Order No. 2001-997 in Docket No. 2000-407-C. It is ATX's intent by this request to have its business services regulated in the same manner as this Commission has permitted for AT&T Communications of the Southern States, Inc. ("AT&T"). Specifically, ATX requests that the Commission:

(a) remove the maximum rate tariff requirements for its business services, consumer card, operator service,[3] private line, and customer network-type offerings;

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[3] Excepting those operator-assisted calls where a consumer uses a local exchange carrier's calling card to complete calls from locations which have not selected the local exchange carrier as their toll provider. Operator surcharges and per-minute rates for this type of call were capped by Commission Order No. 2001-997, dated November 8, 2001.

(b) presume that the tariff filings for these uncapped services be valid upon filing. However, if the Commission institutes an investigation of a particular filing within seven (7) days, the tariff filing would be suspended until further order of the Commission; and

(c) grant Applicant the same treatment as AT&T in connection with any future relaxation of the Commission's reporting requirements.

8. In addition to the above requested waivers, ATX reserves the right to seek any regulatory waivers that may be required for ATX to compete effectively in the South Carolina telecommunications market.

VI. PUBLIC INTEREST STATEMENT

1. ATX's entry into the telecommunications market in South Carolina will serve the public interest by creating greater competition in the telecommunications marketplace and by permitting customers to achieve increased efficiencies and cost savings. ATX's proposed intrastate services will meet the needs of business and individual users in the State of South Carolina for competitively priced, superior quality telecommunications services. Moreover, ATX's entry into the market will not adversely impact the availability of affordable interexchange services. Accordingly, Commission approval of the instant Application will foster competition in the telecommunications market and generate significant benefits to South Carolina telecommunications users, including: low-priced, high-quality service, innovative telecommunications services and increased consumer choice, and efficient use of existing telecommunications resources, as well as, increased diversification and reliability of the supply of communications services.

WHEREFORE, ATX Licensing, Inc. respectfully requests that the South Carolina Public Service Commission issue an Order granting it: (1) a Certificate of Public Convenience and

Necessity to provide resold interexchange telecommunications services in the State of South Carolina; (2) the waivers requested in this Application, including alternative regulation in accordance with South Carolina Code Ann. Sec. 58-9-585 (Supp. 1999) in the same manner as granted by the South Carolina Public Service Commission in Order Nos. 95-1734 and 96-55; and (3) such other relief as is just and proper.

Respectfully submitted,

/S/

John J. Pringle, Jr.
Ellis, Lawhorne & Sims, P.A.
1501 Main Street, 5th Floor
Columbia, South Carolina 29201
Tel: (803) 343-1270
Fax: (803) 799-8479
Email: jpringle@ellislawhorne.com

Eric J. Branfman
Brett P. Ferenchak
SWIDLER BERLIN LLP
3000 K St., N.W., Suite 300
Washington, D.C. 20007-5116
Tel: (202) 424-7500
Fax: (202) 424-7645
Email: EJBranfman@swidlaw.com
BPFerenchak@swidlaw.com

Counsel for ATX Licensing, Inc.

Dated: February 2, 2005

EXHIBIT LIST

EXHIBIT 1	CERTIFICATE OF GOOD STANDING AND ARTICLES OF INCORPORATION
EXHIBIT 2	EVIDENCE OF AUTHORITY TO TRANSACT BUSINESS IN SOUTH CAROLINA
EXHIBIT 3	MANAGEMENT QUALIFICATIONS
EXHIBIT 4	FINANCIAL QUALIFICATIONS
EXHIBIT 5	PROPOSED INTEREXCHANGE TARIFF
VERIFICATION	

EXHIBIT 1

CERTIFICATE OF GOOD STANDING
AND
ARTICLES OF INCORPORATION

Delaware

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "ATX LICENSING, INC." IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE TWENTY-NINTH DAY OF SEPTEMBER, A.D. 2003.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "ATX LICENSING, INC." WAS INCORPORATED ON THE TWENTY-FIRST DAY OF MARCH, A.D. 2000.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE BEEN PAID TO DATE.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

3196885 8300

030625250

AUTHENTICATION: 2660596

DATE: 09-29-03

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS ON FILE OF "ATX LICENSING, INC." AS RECEIVED AND FILED IN THIS OFFICE.

THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

CERTIFICATE OF INCORPORATION, FILED THE TWENTY-FIRST DAY OF MARCH, A.D. 2000, AT 4 O'CLOCK P.M.

CERTIFICATE OF CHANGE OF REGISTERED AGENT, FILED THE NINETEENTH DAY OF MAY, A.D. 2003, AT 11:37 O'CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTIETH DAY OF AUGUST, A.D. 2003, AT 6:45 O'CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID CORPORATION.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

3196885 8100H

030625266

AUTHENTICATION: 2660606

DATE: 09-29-03

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 04:00 PM 03/21/2000
001143739 - 3196885

CERTIFICATE OF INCORPORATION

OF

ATX LICENSING, INC.

1. The name of the corporation is:

   ATX LICENSING, INC.

2. The address of its registered office in the State of Delaware is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, located in the County of New Castle, Delaware. The name of its registered agent at such address is The Corporation Trust Company.

3. The nature of the business or purposes to be conducted or promoted is:

   To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware, as amended (the "DGCL").

4. The authorized capital stock of the Corporation shall consist of 100 shares, all of which shall be Common Stock, $.01 par value.

5. The name and mailing address of the incorporator is:

   Daneen Downey
   Klehr, Harrison, Harvey, Branzburg & Ellers LLP
   260 South Broad Street
   Philadelphia, PA 19102

I, THE UNDERSIGNED, being the sole incorporator, for the purpose of forming a corporation pursuant to the DGCL, do make this certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 21 day of March, 2000.

Daneen Downey

Daneen Downey, Sole Incorporator

CERTIFICATE OF CHANGE OF LOCATION OF REGISTERED OFFICE AND OF REGISTERED AGENT OF ATX LICENSING, INC.

It is hereby certified that:

1. The name of the corporation (hereinafter called the "Corporation") is ATX LICENSING, INC.

2. The registered office of the Corporation within the State of Delaware is hereby changed to 9 East Loockerman Street, Suite 1B, City of Dover 19901, County of Kent.

3. The registered agent of the Corporation within the State of Delaware is hereby changed to National Registered Agents, Inc., the business office of which is identical with the registered office of the corporation as hereby changed.

4. The Corporation has authorized the changes hereinbefore set forth by resolution of its Board of Directors.

Signed on April 30, 2003.

Name: Mark Epstein
Title: Snr. Comm. Cnsl.

State of Delaware
Secretary of State
Division of Corporations
Delivered 12:10 PM 05/19/2003
FILED 11:37 AM 05/19/2003
SRV 030322071 - 3196885 FILE

State of Delaware
Secretary of State
Division of Corporations
Delivered 08:31 PM 08/20/2003
FILED 06:45 PM 08/20/2003
SRV 030544064 – 3196885 FILE

CERTIFICATE OF AMENDMENT OF THE CERTIFICATE OF INCORPORATION OF ATX LICENSING, INC.

ATX LICENSING, INC., a Corporation organized and existing under the laws of the state of Delaware (the "Corporation"), hereby certifies as follows:

FIRST: That at a meeting of the Board of Directors of the Corporation resolutions were duly adopted proposing and declaring advisable the following amendment to the Corporation's Certificate of Incorporation:

That Paragraphs 6 and 7 be added to the Corporation's Certificate of Incorporation as follows:

> "6. Limitation of Liability. No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that this provision shall not eliminate or limit the liability of a director (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under section 174 of the General Corporation Law of the State of Delaware or (d) for any transaction from which the director derived any improper personal benefits.
>
> Any repeal or modification of the foregoing provision shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.
>
> 7. Adoption, Amendment and/or Repeal of Bylaws. The Board may from time to time adopt, amend or repeal the Bylaws of the Corporation; provided, however, that any Bylaws adopted or amended by the Board may be amended or repealed, and any Bylaws may be adopted, by the stockholders of the Corporation by vote of a majority of the holders of shares of stock of the Corporation entitled to vote in the election of directors of the Corporation."

SECOND: That in lieu of a meeting and vote of the stockholder, the stockholder has given its written consent to said amendments in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware (the "DGCL").

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Section 242 and 228 of the DGCL.

IN WITNESS WHEREOF, the undersigned has signed this Certificate as of the 20th of August, 2003.

ATX LICENSING, INC.

By: [signature]
Name: Michael A. Peterson
Title: Vice President

EXHIBIT 2

EVIDENCE OF AUTHORITY TO TRANSACT BUSINESS IN SOUTH CAROLINA

The State of South Carolina

Office of Secretary of State Mark Hammond
Certificate of Authorization

I, Mark Hammond, **Secretary of State of South Carolina Hereby certify that:**

ATX LICENSING, INC.,

a corporation duly organized under the laws of the state of ***DELAWARE*** and issued a certificate of authority to transact business in South Carolina on **July 18th, 2000**, has on the date hereof filed all reports due this office, paid all fees, taxes and penalties owed to the Secretary of State, that the Secretary of State has not mailed notice to the Corporation that its authority to transact business in South Carolina is subject to being revoked pursuant to Section 33-15-310 of the 1976 South Carolina Code, and no application for surrender of authority to do business in South Carolina has been filed in this office as of the date hereof.

Given under my Hand and the Great Seal of the State of South Carolina this 2nd day of February, 2005.

Mark Hammond

Mark Hammond, Secretary of State

Note: This certificate does not contain any representation concerning fees or taxes owed by the Corporation to the South Carolina Tax Commission or whether the Corporation has filed the annual report with the Tax Commission. If it is important to know whether the Corporation has paid all taxes due to the State of South Carolina, and has filed the annual reports, a certificate of compliance must be obtained from the Tax Commission.

<u>EXHIBIT 3</u>

MANAGEMENT QUALIFICATIONS

Thomas Gravina

Thomas Gravina brings an exemplary track record of success in the telecom industry spanning two decades. His visionary leadership, charismatic approach, and intense commitment to the customer experience have made the organizations he has led among the most profitable and respected in their industry.

As the President and CEO of ATX, Mr. Gravina has led the Company through several consecutive quarters of dramatic operational improvement, culminating in the successful recapitalization that gives ATX one of the strongest financial positions in the telecom industry. Today, he is responsible for all aspects of the publicly traded Company, a business competing in multiple industries with approximately 300,000 customers nationwide, annual revenues of $300 million, and approximately 1,100 employees.

In a transaction with an approximate market capitalization of $1 billion, Mr. Gravina was the key architect of the September 2000 merger between CoreComm and ATX Telecommunications Services, of which he was Co-Chief Executive Officer and Partner. At the time of the merger, ATX was one of the largest privately held providers in the country, with more than 22,000 clients and 675 employees, and revenues in excess of $160 million.

From 1987 through 2000, Mr. Gravina was responsible for the creation and development of the operational and administrative infrastructures which supported ATX’s dramatic growth during that period. He was the controlling force behind the transformation of ATX from a fledgling shared tenant/software development venture to a successful, profitable telecommunications services concern supporting a complex portfolio of services and rivaling the likes of AT&T, MCI WorldCom, and US Sprint, as well as attracting the interest of public and private investors.

Mr. Gravina has been recognized by the Philadelphia and surrounding business communities with numerous personal awards, including the Philadelphia Business Journal’s prestigious “40 Under 40” distinction in 1992. He has been honored as senior executive of ATX in a wide range of programs, from technology leadership awards to Chamber of Commerce events to fundraising campaigns. He is also a sought-after speaker, accepting only select public engagements each year.

He cites as the most rewarding part of his job working with the people at ATX, including between 75 and 100 senior managers who have worked along side of him for, on average, more than 10 years. “We've developed a lot of long-term relationships with a number of very high quality, very smart people,” he says. “My goal everyday is to learn something and develop better skills and better intuitions. To do that, you have to be around smart people, and have them challenge you. You delegate authority and responsibility, and watch them grow and develop, and then you try and follow in their tracks. It’s kind of a nurturing process among all of us.”

Sitting on the Board of ATX Communications, Inc., as well as several other organizations, Mr. Gravina’s vision for ATX is to have a positive influence on the ways individuals and businesses communicate, while building long-term value for shareholders and enhancing the Company’s contributions to the community.

A graduate and active alumnus of Villanova University, Mr. Gravina is equally dedicated to his community and supports many worthwhile causes including the United Way, Special Olympics, American Cancer Society, Junior Achievement, and assistance for the homeless. Charitable events for which he has been responsible have raised more than $1 million during the past several years. Additionally, he is a productive member of numerous civic and social organizations.

David Larsen

Mr. Larsen has been an executive with Leucadia National Corporation since 2000. He has been involved in each of Leucadia’s investments in telecommunications, including the purchase of WilTel Communications and WebLink Wireless in 2002. Most recently, Mr. Larsen managed Leucadia’s purchase of the senior secured debt of ATX and Leucadia’s interest in ATX’s subsequent Chapter 11 reorganization. He has served as a board member of WebLink Wireless since 2003 and managed the sale of a majority of its assets to Metrocall Holdings, Inc. (now USA Mobility) in 2004. Prior to Leucadia, Mr. Larsen managed a number of venture capital assets and was a public accountant at PricewaterhouseCoopers. He graduated with degrees from Brigham Young University and the Kellogg School of Management at Northwestern University.

Michael A. Peterson

Michael Peterson has been a vital contributor to ATX's success and growth. His extensive background in business development, coupled with his savvy of the financial markets, has enabled the organization to emerge as one of the industry's best-capitalized companies.

In February 2002, Mr. Peterson was promoted to Executive Vice President, assuming the dual role of Chief Operating Officer and Chief Financial Officer. His advancement recognized his effective skills and leadership, which resulted in significant operational and financial improvement amid a challenging economy in 2001. Mr. Peterson was primarily responsible for the Company's successful recapitalization of approximately $600 million of debt in 2001. He was also instrumental in improving the Company's profitability by more than $120 million on an annual basis, which was completed in less than nine months in 2001, and in the negotiation of more than $100 million of other transactions that same year. He currently sits on the Board of Directors of ATX Communications, Inc.

As Vice President of Corporate Development for CoreComm, Mr. Peterson was instrumental in crafting CoreComm's September 2000 merger with ATX. He was a member of the founding management team of CoreComm, and was responsible for CoreComm's raising of approximately $400 million in the capital markets, and acquisitions totaling more than $1.5 billion. He was also Director of Corporate Development for NTL Incorporated from 1996 through 2001, where he directed NTL's financings and acquisitions, including the raising of more than $2.7 billion in 1998, as well as acquisitions in 1999 which totaled more than $3.4 billion.

Prior to joining CoreComm, he worked in corporate finance at Donaldson, Lufkin & Jenrette, focusing on the communications industry. He specialized in Mergers and Acquisitions, and Debt and Equity financings, participating in transactions totaling several billion dollars. Mr. Peterson graduated Magna Cum Laude and with Honors from Brown University, and earned his Master's degree from the London School of Economics.

Jeffrey D. Coursen

Jeff Coursen has played a vital role in the emergence of ATX as one of the nation's most profitable and quality-driven telecommunications companies. His exceptional strategic and analytical talents have inspired unparalleled discipline and focus throughout the organization.

A respected 16-year veteran of the telecom field, Mr. Coursen joined the ATX team in 1993 and held the position of Vice President of Strategic Development during ATX's merger with CoreComm, completed in 2000. Promoted to Senior Vice President in September 2001 – and subsequently to Executive Vice President in 2003, his responsibilities extend throughout virtually every functional area of the organization, including strategic planning and execution, product development and management, sales and marketing, technical operations, customer operations, and finance.

Mr. Coursen is currently active in several professional boards and associations, including: the Philadelphia Mayoral E-Commerce Board, the Eastern Technology Council Advisory Board, the New Jersey Technology Council Board of Directors and Legislative Board, and The International Financial Management Association - National Honor Society.

Prior to joining ATX, Mr. Coursen held a succession of management positions at Allnet Communications Services. He received his B.A. from Ohio Wesleyan University 1985 and graduated from The Georgetown University Business School Professional Development Program in 1992. He then received his Executive M.B.A. from Drexel University in 1999, and is currently studying in the Wharton School Executive Management Development Program.

Guy Fardone

Guy Fardone has been a major part of the organization's success as a full-service provider of voice, data, and Internet solutions. His technical knowledge and strategic vision have enabled ATX to enter and excel in new lines of business.

Promoted to Senior Vice President in 2002, Mr. Fardone currently oversees a multitude of initiatives and functions including technical sales, operations and engineering, product development, marketing and management, training, and IS. An integral part of the organization's turnaround since 2000, he also provides leadership to corporate strategy planning, profitability analysis and execution, corporate performance management, and new product development and implementation.

Joining the ATX team in 1990, Mr. Fardone's success in Sales and Sales Management allowed him to develop, implement, and oversee all aspects of ATX's Network Services division, launched in 1996. Through this initiative, ATX was able to dramatically diversify its core long distance service focus by moving into the Internet, data, and network integration markets. By 2000 ATX was consistently being recognized as one of nation's leading providers of Internet and data communications services, network integration, e-business, and managed services, with more than a third of its new revenue coming from these segments. Key relationships with organizations such as Cisco Systems, Compaq, Microsoft, Adtran, and other strategic partners were also forged by Mr. Fardone as a result. He was also directly involved in ATX's entry into the local service segment, which has enabled ATX to become one of the nation's top performing providers of integrated communications solutions. Today, ATX's revenue base is approximately one-third local exchange carrier (LEC) services, one-third inter-exchange carrier (IXC, i.e., long distance) services, and one-third network services (including data and Internet), and is growing increasingly profitable.

Mr. Fardone received his bachelor's degree from Villanova University and is currently involved in various Executive Leadership and Management programs. He also holds numerous technical Sales Certifications with partners such as Cisco and Microsoft.

Tim Allen

Tim Allen's intellect and desire have made him one of the telecom's most successful professionals and managers for more than a dozen years. His energetic yet systematic approach to coaching, learning, consulting, and leveraging resources has been a driving force behind the ascension of ATX's Sales Model to among the most productive and admired across the industry.

Mr. Allen began his career at ATX Telecommunications Services in 1988 as a Telecommunications Consultant and has risen through the sales ranks to its pinnacle. In less than two years after his arrival, he advanced to Senior Account Manager and then District Sales Manager of the Philadelphia region, by far the company's largest. Mr. Allen's achievements led directly to the creation of two new levels of leadership within ATX, with his subsequent promotions to Director of Sales and Marketing and then Vice President. His vision and guidance, as well as his personal contributions with such accounts as Apple Vacations, Toll Brothers, and Karr Barth, helped ATX grow to more than $160 million in annual revenues as a privately held enterprise.

As a key participant in ATX's 2000 merger with CoreComm, Mr. Allen was elevated again to Senior Vice President, with final responsibility for the entire Commercial Sales Force across the Mid-Atlantic, Midwest, and Great Lakes regions. Further, his impact extends beyond sales to product and strategic development, having been instrumental in the creation, implementation, and evolution of ATX's Network Services and Integration business units.

Prior to joining ATX, Mr. Allen, a 1985 graduate of Villanova University, was an exceptional leader and consultant at both Cable and Wireless Communications, Inc. and Sprint.

Neil Peritz

Neil Peritz is currently the Senior Vice President of Finance of ATX Communications, Inc. and was the Vice President of Finance of ATX Communications, Inc. and its historical affiliates since the acquisition of ATX Telecommunications Services, Inc. in September of 2000 until May of 2001. Prior to the acquisition, Mr. Peritz served as Chief Financial Officer of ATX Telecommunications Services, Inc.

Mark Soma

Mark Soma is currently the Senior Vice President and Chief Software Architect of ATX Communications, Inc. and has been with the organization in many technical roles since July of 1985. Prior to his employment with ATX, Mr. Soma was a student at the University of Pennsylvania and was involved in developing and teaching computer course curricula for a local college as well as the development of software for the statistical analysis of research data for the U. of P. Veterinary School.

Alex Khorram

Alex Khorram, Vice President of Corporate Development, has been with ATX for close to 8 years. Mr. Khorram is responsible for product, network, and general corporate development functions. He holds an MBA from both the Columbia Business School and London Business School.

Charles M. Jacobson

Charles M. Jacobson is currently ATX's Vice President of Finance - Assistant Treasurer, a position he has held since December of 2002. Prior to his current assignment Mr. Jacobson was the Controller for ATX and its affiliates during the period June 2001 until December 2002.

Mr. Jacobson arrived at ATX in June 2001, coming to ATX from Ernst & Young LLP where he served as Audit Manager for the period December 1999 until June 2001. His previous relevant job experience also included the position of Audit Manager with BDO Seidman LLP from September 1996 until December 1999 and Auditor with Bowman & Company LLP from June 1993 until September 1996.

Mr. Jacobson is a Certified Public Accountant and is a member of the New Jersey Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

<u>EXHIBIT 4</u>

FINANCIAL QUALIFICATIONS

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X]ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002
OR

[ ]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 000-49899

ATX COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware [redacted]
(State or other jurisdiction of incorporation or organization)

50 Monument Road, Bala Cynwyd, Pennsylvania 19004
(Address of principal executive offices) (Zip Code)

(610) 668-3000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $0.01 per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. | |

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes___No X

The aggregate market value of the registrant's common stock held by non-affiliates as of the last business day of the registrant's most recently completed second quarter is: N/A – see Item 5 to Part II of this Annual Report entitled, "Market for Registrant's Common Equity and Related Stockholder Matters."

The number of shares outstanding of the issuer's common stock as of March 31, 2003 was 30,000,054.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

Certain statements contained herein constitute "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995. When used herein, the words "believe," "anticipate," "plan," "will," "expects," "estimates," "projects," "positioned," "strategy," and similar expressions identify such forward-looking statements. All references in this Safe Harbor legend to the Company shall be deemed to include ATX Communications and its subsidiaries and affiliates. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from those contemplated, projected, forecasted, estimated or budgeted, whether expressed or implied, by such forward-looking statements. Such factors include the following: the Company's ability to obtain trade credit, shipments and terms with vendors and service providers for current orders; the Company's ability to maintain contracts that are critical to its operations; potential adverse developments with respect to the Company's liquidity or results of operations; adverse developments in commercial disputes or legal proceedings, including the pending and any future litigation with Verizon, SBC or others; the Company's ability to fund and execute its business plan; the Company's ability to attract, retain and compensate key executives and employees; the Company's ability to attract and retain customers; general economic and business conditions; industry trends; technological developments; the Company's ability to continue to design and build its network, install facilities, obtain and maintain any required governmental licenses or approvals and finance construction and development, all in a timely manner, at reasonable costs and on satisfactory terms and conditions; assumptions about customer acceptance, churn rates, overall market penetration and competition from providers of alternative services; the impact of restructuring and integration actions; the impact of new business opportunities requiring significant up-front investment; interest rate fluctuations; and availability, terms and deployment of capital. The Company assumes no obligation to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting such statements.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements of ATX Communications, Inc. are included in Item 15(a):

The following consolidated financial statement schedules of ATX Communications, Inc. are included in Item 15(a):

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

Report of Independent Auditors

Shareholders and Board of Directors
ATX Communications, Inc.

We have audited the consolidated balance sheets of ATX Communications, Inc. as of December 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity (deficiency) and cash flows for each of the three years in the period ended December 31, 2002. Our audits also included the financial statement schedules listed in the index at item 15(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ATX Communications, Inc. at December 31, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 4 to the consolidated financial statements, in 2002 the Company changed its method of accounting for goodwill and its related amortization.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
April 7, 2003

ATX COMMUNICATIONS, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2002	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,959,000	$ 24,966,000
Accounts receivable — trade, less allowance for doubtful accounts of $8,755,000 (2002) and $9,759,000 (2001)	35,150,000	32,261,000
Due from CCL Historical, Inc.	—	646,000
Due from NTL Incorporated	1,120,000	—
Other	4,845,000	3,683,000
Total current assets	51,074,000	61,556,000
Fixed assets, net	37,861,000	86,722,000
Investment in CCL Historical, Inc.	—	3,863,000
Goodwill	79,558,000	147,380,000
Intangible assets, net	—	5,706,000
Other, net of accumulated amortization of $1,871,000 (2002) and $1,045,000 (2001)	10,570,000	11,393,000
	$ 179,063,000	$ 316,620,000
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities:		
Accounts payable	$ 65,799,000	$ 37,348,000
Accrued expenses	53,060,000	67,766,000
Due to NTL Incorporated	—	917,000
Current portion of long-term debt	1,512,000	33,000
Current portion of capital lease obligations	9,534,000	9,634,000
Deferred revenue	21,928,000	29,652,000
Total current liabilities	151,833,000	145,350,000
Long-term debt, less unamortized discount	145,809,000	144,413,000
Notes payable to related parties, less unamortized discount	17,632,000	15,807,000
Capital lease obligations	—	267,000
Commitments and contingent liabilities		
Shareholders' equity (deficiency):		
Series A preferred stock — $.01 par value, authorized 10,000,000 shares; issued and outstanding none	—	—
Common stock — $.01 par value; authorized 250,000,000 shares; issued and outstanding 30,000,000 (2002) and 30,000,000 (2001) shares	300,000	300,000
Additional paid-in capital	1,030,613,000	1,022,634,000
(Deficit)	(1,166,389,000)	(1,012,151,000)
	(135,476,000)	10,783,000
Treasury stock at cost, 333,000	(735,000)	—
	(136,211,000)	10,783,000
	$ 179,063,000	$ 316,620,000

See accompanying notes.

ATX COMMUNICATIONS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2002	2001	2000
Revenues	$ 293,721,000	$ 292,681,000	$ 131,526,000
Costs and expenses			
Operating	191,848,000	224,807,000	142,323,000
Selling, general and administrative	77,941,000	96,854,000	109,197,000
Corporate	5,053,000	5,648,000	11,224,000
Non-cash compensation	—	21,638,000	43,440,000
Recapitalization costs	5,835,000	—	—
Other charges	—	39,553,000	12,706,000
Charges for impaired assets	118,530,000	368,288,000	35,920,000
Depreciation	32,160,000	47,976,000	30,641,000
Amortization	251,000	97,388,000	42,396,000
	431,618,000	902,152,000	427,847,000
Operating loss	(137,897,000)	(609,471,000)	(296,321,000)
Other income (expense)			
Interest income and other, net	285,000	1,799,000	1,134,000
Interest expense	(16,376,000)	(25,647,000)	(5,929,000)
Loss before income taxes and extraordinary item	(153,988,000)	(633,319,000)	(301,116,000)
Income tax provision	(250,000)	(94,000)	(125,000)
Loss before extraordinary item	(154,238,000)	(633,413,000)	(301,241,000)
Gain from extinguishment of debt	—	39,498,000	—
Net loss	$(154,238,000)	$(593,915,000)	$(301,241,000)
Basic and diluted net loss per share:			
Loss before extraordinary item	$ (5.17)	$ (22.15)	$ (10.55)
Extraordinary item	—	1.38	—
Net loss	$ (5.17)	$ (20.77)	$ (10.55)
Weighted average number of shares outstanding	29,834,000	28,599,000	28,542,000

See accompanying notes.

ATX COMMUNICATIONS, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)

	Common Stock		Additional	Deferred Non-Cash		Treasury Stock	
	Shares	Par	Paid-In Capital	Compensation	(Deficit)	Shares	Amount
Balance, December 31, 1999	28,542,000	$ 285,000	$ 246,700,000	—	$ (116,995,000)	—	—
Capital contributions	—	—	792,193,000	—	—	—	—
Deferred non-cash compensation	—	—	—	$ (31,338,000)	—	—	—
Non-cash compensation expense	—	—	—	9,700,000	—	—	—
Net loss	—	—	—	—	(301,241,000)	—	—
Balance, December 31, 2000	28,542,000	285,000	1,038,893,000	(21,638,000)	(418,236,000)	—	—
Capital distributions	—	—	(23,164,000)	—	—	—	—
Shares issued in ATX recapitalization	1,458,000	15,000	1,413,000	—	—	—	—
Shares held by CoreComm Limited issued in ATX recapitalization	—	—	5,492,000	—	—	—	—
Non-cash compensation expense	—	—	—	21,638,000	—	—	—
Net loss	—	—	—	—	(593,915,000)	—	—
Balance, December 31, 2001	30,000,000	300,000	1,022,634,000	—	(1,012,151,000)	—	—
Exchange of shares	—	—	7,979,000	—	—	—	—
Common stock acquired upon merger with CCL Historical, Inc.	—	—	—	—	—	333,000	$(735,000)
Net loss	—	—	—	—	(154,238,000)	—	—
Balance, December 31, 2002	30,000,000	$ 300,000	$ 1,030,613,000	$ —	$(1,166,389,000)	333,000	$(735,000)

See accompanying notes.

ATX COMMUNICATIONS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2002	2001	2000
Operating activities			
Net loss	$(154,238,000)	$(593,915,000)	$(301,241,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	32,411,000	145,364,000	73,037,000
Gain from extinguishment of debt	—	(39,498,000)	—
Reorganization charges	—	26,932,000	—
Non-cash compensation	—	21,638,000	43,440,000
Amortization of debt discount	2,729,000	6,256,000	—
Amortization deferred financing costs	826,000	774,000	211,000
Provision for losses on accounts receivable	6,696,000	7,143,000	7,130,000
Charges for impaired assets	118,530,000	368,288,000	35,920,000
Accretion of interest on marketable securities	—	(51,000)	24,000
Interest accrued on PIK Notes	1,785,000	—	—
Other	—	(2,473,000)	996,000
Changes in operating assets and liabilities, net of effect from business acquisitions:			
Accounts receivable	(9,585,000)	(5,174,000)	(7,405,000)
Due from affiliates	(1,292,000)	18,140,000	(17,349,000)
Other current assets	(1,533,000)	2,369,000	576,000
Other assets	705,000	11,999,000	(1,460,000)
Accounts payable	21,654,000	(25,594,000)	17,574,000
Accrued expenses	(14,714,000)	21,073,000	(5,078,000)
Deferred revenue	(7,724,000)	(44,000)	17,213,000
Net cash used in operating activities	(3,750,000)	(36,773,000)	(136,412,000)
Investing activities			
Purchase of fixed assets	(11,327,000)	(5,221,000)	(65,211,000)
Acquisitions, net of cash acquired	—	—	(98,613,000)
Purchase of marketable securities	—	—	(2,710,000)
Proceeds from sale of marketable securities	—	2,737,000	—
Other.	470,000	—	—
Net cash used in investing activities	(10,857,000)	(2,484,000)	(166,534,000)
Financing activities			
Capital (distributions) contributions	—	(28,614,000)	232,472,000
Proceeds from borrowings, net of financing costs	—	88,679,000	103,503,000
Principal payments on long-term debt	(33,000)	(10,508,000)	(5,936,000)
Principal payments of capital lease obligations	(367,000)	(8,107,000)	(15,568,000)
Net cash (used in) provided by financing activities	(400,000)	41,450,000	314,471,000
Net (decrease) increase in cash and cash equivalents	(15,007,000)	2,193,000	11,525,000
Cash and cash equivalents at beginning of period	24,966,000	22,773,000	11,248,000
Cash and cash equivalents at end of period	$9,959,000	$24,966,000	$22,773,000
Supplemental disclosure of cash flow information			
Cash paid for interest	$ 10,807,000	$ 13,197,000	$ 4,008,000
Income taxes paid	—	—	159,000
Supplemental schedule of non-cash investing activities			
Capital contributions of non-cash net assets	$ —	$ 5,450,000	$ 559,721,000
Liabilities incurred to acquire fixed assets	386,000	6,595,000	35,626,000
Supplemental schedule of non-cash financing activities			
Shares issued in the ATX recapitalization	$ —	$ 6,905,000	$ —
Shares issued to acquire CCL Historical, Inc.	7,979,000	—	—

See accompanying notes.

ATX COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Business

Organization

ATX Communications, Inc. (formerly CoreComm Holdco, Inc.), referred to as the Company, was formed in May 1998 as a Bermuda corporation. It was a wholly-owned subsidiary of CCL Historical, Inc. (formerly CoreComm Limited), referred to as CCL, until December 2001. In July 1999, the Company was domesticated under the laws of Delaware.

CCL, formerly a wholly-owned subsidiary of Cellular Communications of Puerto Rico, Inc., referred to as CCPR, was formed in March 1998 in order to succeed to the businesses and assets that were operated by OCOM Corporation. Operations commenced in April 1998. In September 1998, CCPR made a cash contribution to CCL of $150,000,000 and distributed 100% of the outstanding shares of CCL on a one-for-one basis to CCPR's shareholders.

Business

The Company provides integrated local and toll-related telephone, Internet and high-speed data services to business and residential customers located principally in Pennsylvania, Ohio, New Jersey, Michigan, Wisconsin, Maryland, Illinois, New York, Virginia, Delaware, Massachusetts, Washington, D.C. and Indiana. The Company does not rely on any one customer for a significant portion of its revenue.

Liquidity

The Company’s financial statements have been prepared assuming the Company can meet its obligations as they become due in the ordinary course of business. On March 31, 2003, the Company entered into an amendment to its senior secured credit facility, under which the lenders agreed to waive and/or amend certain financial covenants set forth in the credit agreement until February 2, 2004, during which time the loans will accrue interest at a rate of approximately 9.75%. However, based on its current business plan, the Company does not expect that it will have the cash available to fund the required deferred interest and principal payments on its senior secured credit facility on or before February 2, 2004, the date on which such payments become due. The Company intends to seek and consider strategic alternatives in order to reduce its overall indebtedness, including amounts under the senior secured credit facility. Such strategic alternatives may include, among other things, debt or equity financings or refinancings, recapitalizations, restructurings, mergers and acquisitions or other transactions.

Note 1. Organization and Business (continued)

There can be no assurance that: (1) actual costs will not exceed the amounts estimated or that additional funding will not be required, (2) the Company and its subsidiaries will be able to generate sufficient cash from operations to meet capital requirements, debt service and other obligations when required, (3) the Company will be able to continue to be in compliance with all required ratios and covenants contained in agreements governing its outstanding indebtedness, or that the Company will be able to modify the requirements or terms of such indebtedness, (4) the Company will be able to refinance its indebtedness as it comes due, (5) the Company will be able to sell assets or businesses (the net proceeds from a sale may be required to be used to repay certain indebtedness), or (6) the Company will not be adversely affected by interest rate fluctuations, (7) the Company will be able to access the cash flow of its subsidiaries or (8) the Company will be successful in identifying or implementing one or more strategic alternatives to reduce its indebtedness.

The Company’s future capital requirements will depend on the success of the continued execution of the Company’s business plan, and the amount of capital required to fund future capital expenditures and other working capital requirements that exceed net cash provided by operating activities.

The Company and its subsidiaries may not generate sufficient cash flow from operations to repay at maturity the entire principal amount of its outstanding indebtedness. Accordingly, the Company may be required to consider a number of measures, including: (1) refinancing all or a portion of such indebtedness, (2) seeking modifications to the terms of such indebtedness, (3) seeking additional debt financing, which may be subject to obtaining necessary lender consents, (4) seeking additional equity financing, (5) sales of assets or businesses or (6) a combination of the foregoing.

The Company's ability to raise additional capital in the future will be dependent on a number of factors, such as general economic and market conditions, which are beyond its control. If the Company is unable to obtain additional financing or obtain it on favorable terms, it may be required to further reduce its operations, forego attractive business opportunities, or take other actions, which could adversely affect its business, results of operations and financial condition.

Note 2. ATX Recapitalization

In April 2001, the Company and CCL completed a reevaluation of their business plans in light of market conditions and made significant modifications to the plans. The Company streamlined its strategy and operations to focus on its two most successful and promising lines of business. The first is integrated communications products and other high bandwidth/data/web-oriented services for the business market. The second is bundled local telephony and Internet products for the residential market, with a focus on using Internet interfaces, as well as call centers, to efficiently sell and install products and services for customers.

Also in April 2001, the Company and CCL commenced a process to potentially sell selected assets and businesses (now owned by the Company) that are not directly related to their competitive local exchange carrier, referred to as CLEC, business, and retained advisors for the purpose of conducting this sale. The Company's CLEC assets and businesses include its local and toll-related telephone services that compete with the incumbent local exchange carrier, referred to as ILEC, and other carriers.

Note 2. ATX Recapitalization (continued)

In October 2001, the Company and CCL commenced the ATX recapitalization. In the first phase of the ATX recapitalization, which was completed in December 2001, the Company and CCL entered into agreements with holders of approximately $600 million of outstanding indebtedness and preferred stock whereby the holders agreed, among other things, to exchange their debt and preferred stock for approximately 87% of the Company's common stock. In addition, the holders of CCL's 6% Convertible Subordinated Notes due 2006 received the amount of an October 1, 2001 interest payment of $4.8 million in the aggregate.

The following summarizes the indebtedness and preferred stock that was exchanged for shares of the Company's common stock in December 2001:

Description	Date Issued	Issuer	Principal Amount or Stated Value when Issued
10.75% Unsecured Convertible PIK Notes due 2011	April 2001	CCL and the Company	$10.0 million
10.75% Senior Unsecured Convertible PIK Notes Due 2010	December 2000	CCL and the Company	$16.1 million
Senior Unsecured Notes Due September 29, 2003	September 2000	CCL	$108.7 million
6% Convertible Subordinated Notes Due 2006	October 1999	CCL	$175.0 million(1)
Series A and Series A-1 Preferred Stock	September 2000	CCL	$51.1 million
Series B Preferred Stock	September 2000	CCL	$250.0 million

(1)$164.75 million was outstanding as of December 31, 2001, of which $160 million was exchanged.

The Company exchanged the approximately $10.8 million principal and accrued interest of 10.75% Unsecured Convertible PIK Notes Due 2011 and the approximately $18.0 million principal and accrued interest of 10.75% Senior Unsecured Convertible PIK Notes Due 2010 for shares of its common stock. The Company recorded an extraordinary gain of $25.7 million from the extinguishment of these notes, and incurred costs of $2.7 million in 2001 in connection with the ATX recapitalization. This gain is based on the fair value of $0.9797 per share on December 31, 2001 for the shares issued by the Company in exchange for the notes.

The shareholders and noteholders who exchanged their shares and notes, respectively, received shares of common stock of the Company and no longer hold securities of CCL.

Following the completion of the first phase of the ATX recapitalization on December 28, 2001 (but prior to the completion of the second phase on July 1, 2002), approximately 87% of the Company's outstanding shares, or 26,056,806 shares, were owned by the former holders of indebtedness and preferred stock of the Company and CCL, and approximately 13% of the Company's outstanding shares, or 3,943,248 shares, were held by CCL.

Note 2. ATX Recapitalization (continued)

As a result of the completion of the first phase of the ATX recapitalization, the Company held $160 million principal amount of CCL's 6% Convertible Subordinated Notes due 2006, approximately $105.7 million principal amount of CCL's Senior Unsecured Notes due September 29, 2003, approximately 51,000 shares of CCL's Series A preferred stock and 250,000 shares of CCL's Series B preferred stock. As of December 31, 2001, prior to the consummation of the second phase of the ATX recapitalization, the Company's investment in CCL notes and preferred stock was $3,863,000.

In the second phase of the ATX recapitalization, the Company offered to all holders of CCL common stock and all remaining holders of 6% Convertible Subordinated Notes due 2006 of CCL to exchange shares of the Company's common stock for their CCL common stock and their notes, respectively. The Company completed the exchange offer on July 1, 2002, and issued 3,610,624 shares of common stock to the former holders of CCL common stock and the holders of 6% Convertible Subordinated Notes due 2006 of CCL. The common stock issued under the exchange offer was valued at $7,979,000 based on the average price per share for the five trading days following the completion of the recapitalization, which was based on the estimated fair value of the Company's common stock. Following the exchange offer, the Company transferred the shares of CCL common stock that it received in the exchange offer to a wholly owned subsidiary. The Company then merged this subsidiary into CCL, with CCL surviving the merger as a wholly owned subsidiary of the Company.

CCL has surrendered to the Company all of the shares of the Company's common stock that CCL held at the completion of the exchange offers, excluding 332,624 shares, of which 39,678 shares are being held for holders of the 6% Convertible Subordinated Notes who did not participate in the exchange offer and 292,946 shares are reserved for holders of CCL's warrants, 14,473 of which expired in May 2002. In exchange for CCL surrendering such shares of the Company's common stock, CCL and the Company have agreed to waivers and amendments to delay CCL from having to make any payments with respect to the CCL securities held by the Company through April 2003. Also, as part of the exchange agreement between the Company and CCL, the due date of CCL's Senior Unsecured Notes was extended until September 29, 2023.

In connection with the second phase of the ATX recapitalization, on July 1, 2002 the Company converted all of the 6% Convertible Subordinated Notes Due 2006 of CCL and all of the shares of Series A and B preferred stock of CCL that it owned into shares of CCL common stock. All of these shares of CCL were tendered in the exchange offer, and subsequently, all of the shares received by the Company in the exchange offer were cancelled. The Company continues to hold approximately $105.7 million principal amount of CCL's Senior Unsecured Notes.

The Company incurred additional costs in connection with the ATX recapitalization, which consist primarily of employee incentives, legal fees, accounting fees and printing fees of $5,835,000 during the twelve months ended December 31, 2002.

The merger with CCL has been accounted for as a purchase, and, accordingly the net assets and results of operations of CCL have been included in the consolidated financial statements from July 1, 2002. The aggregate purchase price of $11,842,000 exceeded the estimated fair value of net tangible assets acquired by $9,587,000, which was allocated to goodwill.

Note 2. ATX Recapitalization (continued)

The pro forma unaudited consolidated results of operations for the years ended December 31, 2002 and 2001, assuming consummation of the acquisition as of January 1, 2002 is as follows:

	Year Ended December 31,	
	2002	**2001**
Total revenue	$293,972,000	$293,207,000
Net loss	(155,497,000)	(619,590,000)
Basic and diluted net loss per share	(5.21)	(21.66)

In connection with the ATX recapitalization, on July 2, 2002, Nasdaq transferred CCL's listing on the Nasdaq National Market to the Company. On August 15, 2002, the Nasdaq Listing Qualifications Panel issued its decision to delist the Company's common stock. On August 16, 2002, the Company's common stock began trading on the Over-the-Counter Bulletin Board. The Company had requested a review of the Panel's decision by the Nasdaq Listing and Hearing Review Council and on October 28, 2002, the Listing Council affirmed the Panel's decision to delist the Company's common stock. The delisting of the Company's common stock from the Nasdaq National Market, could, among other things, have a negative impact on the trading activity and price of the common stock and could make it more difficult for the Company to raise equity capital in the future.

Note 3. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: the amount of uncollectible accounts receivable, the amount to be paid to terminate certain agreements included in reorganization costs, the amount to be paid to settle certain toll and interconnection liabilities, the amount to be paid as a result of certain sales and use tax audits, potential liabilities arising from other sales tax matters and estimates related to the value of long-lived assets, goodwill and other intangible assets. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents

Cash equivalents are short-term highly liquid investments purchased with a maturity of three months or less. Cash equivalents were approximately $4.8 million and $24.3 million at December 31, 2002 and 2001, respectively, and consisted of corporate commercial paper.

Note 3. Significant Accounting Policies (continued)

Allowance for Doubtful Accounts

The Company records estimated allowances for uncollectible accounts receivable based on estimates of the collectibility of its receivables. These allowances were provided based on both the age of outstanding receivable balances and specific identification of customers. The Company identifies customer payment histories to determine if additional allowances are required. Since the Company has a limited operating history, the estimates are based on reviewing current customer balances and economic conditions on a monthly basis. In addition, the Company writes-off customer balances generally upon bankruptcy or other events where customer receipts are unlikely. The Company also requires security deposits in the normal course of business if customers do not meet its criteria established for offering credit. If the financial condition of the Company's customers were to deteriorate resulting in an impairment in their ability to make payments, additions to the allowance may be required.

The activity of allowances for bad debts for the three years ended December 31, 2002 is as follows:

Description	Allowance for Bad Debt at Beginning of Period	Additions to Allowance Based on Collectibility Estimates	Uncollectible Accounts Written-off	Additions to Allowance From Business Combinations	Allowance for Bad Debt at End of Period	Allowance as a Percentage of Accounts Receivable	Average Allowance as a Percentage of Annual Revenue
Year ended December 31, 2002	$ 9,759,000	$ 6,696,000	$ (7,700,000)	$ -	$8,755,000	20%	3.2%
Year ended December 31, 2001	11,034,000	7,143,000	(8,418,000)	-	9,759,000	23%	3.6%
Year ended December 31, 2000	3,949,000	7,130,000	(9,269,000)	9,224,000	11,034,000	24%	5.7%

Fixed Assets

Fixed assets are stated at cost. Fixed assets are assigned useful lives, which impacts the annual depreciation expense. The assignment of useful lives involves significant judgments and the use of estimates. Changes in technology or changes in intended use of these assets may cause the estimated useful life to change. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows: operating equipment — 3 to 5 years, computer hardware and software — 3 or 5 years and other equipment — 2 to 7 years, except for leasehold improvements for which the estimated useful lives are the term of the lease.

Note 3. Significant Accounting Policies (continued)

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In analyzing potential impairments, projections of future cash flows from the asset are used. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset. The projections are based on assumptions, judgments and estimates of growth rates for the related business, anticipated future economic, regulatory and political conditions, the assignment of discount rates relative to risk and estimates of terminal values. Changes to these variables in the future may necessitate impairment charges to reduce the carrying value to fair value.

Goodwill

Goodwill is the excess of the purchase price over the fair value of net assets acquired in business combinations accounted for as purchases. Goodwill is amortized on a straight-line basis over the period benefited, which is estimated to be five to seven years. The Company continually evaluates whether events and circumstances warrant revised estimates of useful lives or recognition of an impairment to the carrying amounts. The recoverability of goodwill is assessed at a reporting unit level whereby the carrying value of goodwill is adjusted to the present value of the future operating cash flows if the undiscounted cash flows analysis indicates it cannot be recovered over its remaining life. The present value of the future operating cash flows is calculated using a discount rate that is equivalent to the rate that would be required for a similar investment with like risks. The projections of future operating cash flow are based on assumptions, judgments and estimates of growth rates for the related business, anticipated future economic, regulatory and political conditions, the assignment of discount rates relative to risk and estimates of terminal values. Changes to these variables in the future may necessitate impairment charges to reduce the carrying value to fair value. If a portion or separable group of assets of an acquired company is being disposed of, goodwill would be allocated to the assets to be disposed of based on the relative fair values of those assets at the date of acquisition, unless another method of allocation is more appropriate.

LMDS License Costs

The costs incurred to acquire the Local Multipoint Distribution Service, referred to as LMDS, licenses from the Federal Communications Commission, referred to as the FCC, were deferred and were being amortized on a straight-line basis over the term of the licenses upon the commencement of operations. The Company continually reviewed the recoverability of the carrying value of LMDS licenses using the same methodology that it uses for the evaluation of its other long-lived assets and upon such evaluation, the Company determined that the remaining carrying value was impaired as of October 1, 2002.

Note 3. Significant Accounting Policies (continued)

Intangible Assets

Intangible assets include workforce and customer lists. These are acquisition-related assets, which are stated at their cost as of the date acquired less accumulated amortization. Amortization is recorded on a straight-line basis over estimated useful lives of two and seven years. The Company continually reviews the recoverability of the carrying value of the intangible assets using the same methodology that it uses for the evaluation of its other long-lived assets and upon such evaluation, the Company determined that the remaining carrying value was impaired as of October 1, 2002.

Other Assets

Other assets include deferred financing costs, certificates of deposit collateralizing letters of credit, and other non-current assets. Deferred financing costs were incurred in connection with the issuance of debt and are charged to interest expense over the term of the related debt.

Contingent Liabilities

The Company's determination of the treatment of contingent liabilities is based on a view of the expected outcome of the applicable contingency. The Company's legal counsel is consulted on matters related to litigation. Experts both within and outside the Company are consulted with respect to other matters that arise in the ordinary course of business. Examples of matters that are based on assumptions, judgments and estimates are the amount to be paid to terminate some agreements included in reorganization costs, the amounts to be paid to settle some toll and interconnection liabilities, the amount to be paid as a result of some sales and use tax audits and potential liabilities arising from other sales tax matters. A liability is accrued if the likelihood of an adverse outcome is probable of occurrence and the amount is estimable.

Net Loss Per Share

The Company reports its basic and diluted net loss per share in accordance with Financial Accounting Standards Board, referred to as FASB, Statement of Financial Accounting Standards, referred to as SFAS, No. 128, "Earnings Per Share." The weighted average shares used in the computation of net loss per share reflects the stock split in 2001 on a retroactive basis

Note 3. Significant Accounting Policies (continued)

Revenue Recognition and Certain Cost Classifications

Revenues are recognized at the time the service is rendered to the customer or the performance of the service has been completed. Charges for services that are billed in advance are deferred and recognized when earned.

Operating costs includes direct costs of sales and network costs. Direct cost of sales includes the costs directly incurred primarily with other telecommunications carriers in order to render services to customers. Network costs include the costs of fiber and access, points of presence, repairs and maintenance, rent, utilities and property taxes of the telephone, Internet and data network, as well as salaries and related expenses of network personnel.

Advertising Expense

The Company charges the cost of advertising to expense as incurred. Advertising costs for the years ended December 31, 2002, 2001 and 2000 were $2,203,000, $3,581,000 and $8,683,000, respectively.

Reorganization Charges

In 2001, reorganization charges were recorded as a result of additional actions to reorganize, re-size and reduce operating costs and create greater efficiency in various areas. These charges, for both severance and exit costs, required the use of estimates. Actual results could differ from those estimated for reorganization.

Stock-Based Compensation

The Company's employees participate in the ATX stock option plan. ATX applies APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. When applying APB Opinion No. 25, compensation expense for compensatory plans is measured based on “intrinsic value” (i.e., the excess of the market price of the stock over the exercise price on the measurement date). Under the intrinsic value method, compensation is determined on the measurement date; that is, the first date on which both the number of shares the employee is entitled to receive and the exercise price, if any, are known. Compensation expense, if any, generally is recognized over the equity award’s vesting period. Compensation expense associated with awards that immediately are vested or attributable to past services is recognized when granted. Prior to the completion of the ATX recapitalization, the Company’s employees participated in the CCL stock option plans.

Note 3. Significant Accounting Policies (continued)

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting periods. Following is the Company's pro forma information for the year ended December 31, 2002:

Net loss – as reported	$(154,238,000)
Stock based compensation expenses under SFAS No. 123	(3,582,000)
Pro forma net loss	$(157,820,000)
Basic and diluted per share information:	
Net loss – as reported	$ (5.17)
Stock based compensation expenses under SFAS No. 123	(.12)
Pro forma net loss per share	$ (5.29)

Note 4. Recent Accounting Pronouncements

On December 31, 2002, the FASB issued SFAS No. 148, “Accounting for Stock-Based Compensation – Transition and Disclosure”, which is effective for the year ended December 31, 2002. The Statement amends the disclosure provisions of SFAS No. 123 “Accounting for Stock-Based Compensation”. SFAS No. 148 also provides alternative methods of transition to SFAS No. 123’s fair value method of accounting for stock based employee compensation. The adoption of this new standard had no significant effect on the Company’s results of operations, financial condition or cash flows.

In July 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities.” Effective for the Company on January 1, 2003. SFAS 146 addresses the accounting and reporting for costs associated with exit or disposal activities. The adoption of this new standard is not expected to have a significant effect on the Company’s results of operations, financial condition or cash flows.

In April 2002, the FASB issued SFAS, No. 145, “Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections,” effective for the Company on January 1, 2003. This Statement rescinds FASB Statement No. 4, Reporting Gains and Losses from Extinguishment of Debt, and an amendment of that Statement, FASB Statement No. 64, Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements. SFAS No. 145 also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The adoption of this standard will require the Company to reclassify its gain from extinguishment of debt from extraordinary to continuing operations. The Company’s loss before income taxes for the year ended December 31, 2001 will be $593,915,000, upon adoption of SFAS No. 145. The adoption of SFAS No. 145 will not change the Company’s net loss for the year ended December 31, 2001.

Note 4. Recent Accounting Pronouncements (continued)

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," effective for the Company on January 1, 2002. This Statement supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and other related accounting guidance. The standard did not materially affect the amount of the $41,121,000 impairment charge recorded by the Company in the fourth quarter of 2002. However, the charge was calculated in accordance with the provisions of this pronouncement resulted in asset impairment charges of $41,121,000 during the fourth quarter of 2002.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," effective for the Company on January 1, 2003. This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible fixed assets and the associated asset retirement costs. The adoption of this new standard is not expected to have a significant effect on the results of operations, financial condition or cash flows of the Company.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method is no longer permitted. SFAS No. 141 also includes guidance on the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination that is completed after June 30, 2001. SFAS No. 142 ends the amortization of goodwill and indefinite-lived intangible assets. Instead, these assets must be reviewed annually (or more frequently under certain conditions) for impairment in accordance with this statement. This impairment test uses a fair value approach to determine whether or not impairment exists rather than the undiscounted cash flow approach previously required by SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The Company adopted SFAS No. 142 on January 1, 2002.

Upon the adoption of SFAS No. 142, the Company also performed an evaluation for impairment of its goodwill as of January 1, 2002, and determined that no impairment charge was required. The Company performed its annual test to evaluate whether or not its goodwill was impaired as of October 1, 2002. This evaluation resulted in a goodwill impairment charge of $77,409,000.

Note 4. Recent Accounting Pronouncements (continued)

The following table shows the Company's loss before extraordinary item and net loss had SFAS No. 142 been in effect during the two years ended December 31, 2001. Additionally, the table presents the effect on the Company's basic and diluted loss per share before extraordinary item and basic and diluted net loss per share.

	Year Ended December 31,		
	2002	2001	2000
Loss before extraordinary item- as reported	$ (154,238,000)	$(633,413,000)	$ (301,241,000)
Goodwill amortization	—	96,973,000	39,330,000
Workforce amortization	—	52,000	532,000
Loss before extraordinary item - as adjusted	$ (154,238,000)	$ (536,388,000)	$ (261,379,000)
Net loss – as reported	$ (154,238,000)	$ (593,915,000)	$ (301,241,000)
Goodwill amortization	—	96,973,000	39,330,000
Workforce amortization	—	52,000	532,000
Net loss— as adjusted	$ (154,238,000)	$ (496,890,000)	$ (261,379,000)
Basic and diluted per share information:			
Loss before extraordinary item- as reported	$ (5.17)	$ (22.15)	$ (10.55)
Goodwill amortization	—	3.39	1.38
Workforce amortization	—	—	0.02
Loss before extraordinary item - as adjusted	$ (5.17)	$ (18.76)	$ (9.15)
Net loss per share – as reported	$ (5.17)	(20.77)	$ (10.55)
Goodwill amortization	—	3.39	1.38
Workforce amortization	—	—	0.02
Net loss per share— as adjusted	$ (5.17)	$ (17.38)	$ (9.15)

Note 5. Certain Risks and Uncertainties

The Company's performance is affected by, among other things, its ability to implement expanded interconnection and collocation with the facilities of ILECs and develop efficient and effective working relationships with the ILECs and other carriers. The Company has installed its own switches and related equipment in certain of its markets. The Company will continue to lease the unbundled local loop needed to connect its customers to its switches. The Company purchases capacity from the ILECs on a wholesale basis pursuant to contracts and sells it at retail rates to its customers. The Company depends upon the ILECs to maintain the quality of their service to the Company's customers. Also, the Company depends upon the ILECs for accurate and prompt billing information in order for the Company to bill certain of its customers.

Note 5. Certain Risks and Uncertainties (continued)

The Company's business is highly competitive, which results in pricing pressure and increasing customer acquisition costs. The competition in the local exchange business includes the larger, better capitalized ILECs as well as other CLECs, other providers of telecommunications services and cable television companies. The competition in the Internet services market includes established online services, such as AOL and the Microsoft Network, the ILECs, cable television companies and other local, regional and national Internet service providers. The competitive environment may result in price reductions in the Company's fees for services, increased spending on marketing and product development, a reduction in the Company's ability to increase revenues and gross margin from its core businesses, a limit on the Company's ability to grow its customer base or attrition in the Company's customer base. The Company's operating results and cash flows would be negatively impacted by any of these events.

The Company’s business is subject to regulations by federal, state and local government agencies. These regulations are the subject of judicial proceedings, legislative hearings and administrative proposals, which could change in varying degrees the manner in which the telecommunications industry operates. Future regulations and legislation may be less favorable to the Company than current regulations or legislation and therefore could have a materially adverse effect on its financial condition or results of operations

Note 6. Revenues

	Year Ended December 31,		
	2002	2001	2000
Local Exchange Services	$104,247,000	$95,272,000	$62,960,000
Internet, Data and Web-related Services	90,048,000	93,997,000	34,157,000
Toll-related Telephony Services	69,390,000	77,169,000	27,952,000
Other(a)	30,036,000	26,243,000	6,457,000
	$293,721,000	$292,681,000	$131,526,000

(a) Other includes carrier access billing, reciprocal compensation, wireless, paging and information services.

Note 7. Charges for Impaired Assets

As of October 1, 2002, the Company performed an analysis of the carrying value of its long-lived assets, goodwill and other intangibles. During 1999 and 2000, the Company made acquisitions against a background of increasing consolidation and record valuations in the telecommunications industry. Additionally, during the same time period, the Company paid high prices for telecommunications equipment in an effort to rapidly expand its network. This analysis was initiated because of the overall decline in value for companies and for equipment within the telecommunications industry. The fair value of the Company's assets was determined by discounting the Company's estimates of the expected future cash flows related to these assets when the non-discounted cash flows indicated that the long-lived assets would not be recoverable. The Company recorded a write-down of goodwill of $77,409,000 and a write-down of fixed assets of $28,494,000 in the fourth quarter of 2002 as result of this analysis and review.

Note 7. Charges for Impaired Assets (continued)

Also at October 1, 2002, in connection with the fair value analysis of the Company's long-lived assets, the Company wrote-down the carrying amount of its LMDS licenses, customer lists and certain deposits related to long-term telecommunications contracts by $4,230,000, $1,225,000 and $5,400,000 respectively to reflect their fair value.

As of December 31, 2001, the Company performed an analysis of the carrying values of its long-lived assets including goodwill. This analysis was initiated because of the decline in CCL's stock price and significantly lower valuations for companies within its industry. Additionally, at the time of the Company's analysis, the book value of the Company's net assets significantly exceeded its market capitalization. Accordingly, the Company performed an analysis of the recoverability of its long-lived assets and associated goodwill. The fair value of the Company's assets was determined by discounting the Company's estimates of the expected future cash flows related to these assets when the non-discounted cash flows indicated that the long-lived assets would not be recoverable. The Company recorded a write-down of goodwill of $186,160,000 and a write-down of fixed assets of $14,529,000 in the fourth quarter of 2001 as result of this analysis and review.

At March 31, 2001, the Company reduced the carrying amount of goodwill related to two of its acquisitions by $167,599,000. In connection with the reevaluation of its business plan and the decision to sell its non-CLEC assets and business announced in April 2001, the Company was required to report all long-lived assets and identifiable intangibles to be disposed of at the lower of carrying amount or estimated fair value less cost to sell. The carrying amount of goodwill related to these acquisitions was eliminated before reducing the carrying amounts of other assets. The estimated fair value of these businesses was determined based on information provided by the investment bank retained for the purpose of conducting this sale.

At December 31, 2000, the Company wrote-off the carrying amount of intangible assets from certain business combinations. The aggregate write-off of $14,784,000 included goodwill of $6,690,000, workforce of $577,000 and customer lists of $7,517,000. These assets were primarily related to the Company's resale CLEC business, which was acquired in 1999. The underlying operations, customer relationships and future revenue streams had deteriorated significantly since the acquisition. These were indicators that the carrying amount of the resale-related assets was not recoverable. The Company estimated that the fair value of these assets was zero due to the lack of potential buyers, the overall deterioration of the resale CLEC business environment and because of the negative future cash flow of these resale businesses projected at that time for the foreseeable future. The goodwill had useful lives of 5 and 10 years, and the other intangibles had useful lives of 3 and 5 years.

Also at December 31, 2000, in connection with the reevaluation of its business plan announced in April 2001, the Company reduced the carrying amount of its LMDS licenses by $21,136,000 to $4,230,000 to reflect their estimated fair value. The estimated fair value was determined based on an analysis of sales of other LMDS licenses by third parties.

Note 8. Acquisitions

On September 29, 2000, the CCL completed two significant acquisitions. CCL acquired ATX Telecommunications Services, Inc., referred to as ATX Services, a CLEC providing integrated voice and high-speed data services, including long distance, local, wireless and network services through the use of telephone switching equipment and other physical facilities in the New York — Virginia corridor. ATX Services was acquired for approximately $39.4 million in cash, approximately $108.7 million principal amount of CCL's senior unsecured notes due 2003, 12,398,000 shares of CCL's common stock and 250,000 shares of CCL's Series B preferred stock with a stated value of $250.0 million. The common stock was valued at $178.7 million, the fair value at the time of the third amendment to the ATX Services merger agreement on July 31, 2000. The senior unsecured notes and the Series B preferred stock were valued at $94.0 million and $67.3 million, respectively, the fair value on the date of issuance. In addition, CCL incurred acquisition related costs of approximately $9.7 million.

CCL also acquired Voyager.net, Inc., referred to as Voyager, a large independent Internet communications company focused on the Midwestern United States. Voyager was acquired for approximately $36.1 million in cash and 19,435,000 shares of CCL's common stock. The common stock was valued at $154.6 million, the fair value at the time of the closing of the transaction. In addition, CCL incurred acquisition related costs of approximately $9.4 million and repaid approximately $24.0 million of Voyager debt including accrued interest.

The assets of ATX Services and Voyager were contributed to subsidiaries of the Company.

These acquisitions have been accounted for as purchases, and, accordingly the net assets and results of operations of the acquired businesses have been included in the consolidated financial statements from the date of acquisition. The aggregate purchase price of $613.2 million exceeded the estimated fair value of net tangible assets acquired by $585.8 million, which was allocated to goodwill.

Note 9. Fixed Assets

Fixed assets consist of:

	December 31,	
	2002	**2001**
Operating equipment	$26,528,000	$102,529,000
Computer hardware and software	13,121,000	53,313,000
Other equipment	3,010,000	12,956,000
Construction-in-progress	446,000	—
	43,105,000	168,798,000
Accumulated depreciation	(5,244,000)	(82,076,000)
	$37,861,000	$86,722,000

Note 10. Accrued Expenses

Accrued expenses consist of:

	December 31,	
	2002	2001
Payroll and related	$5,792,000	$7,517,000
Professional fees	1,185,000	935,000
Taxes, including income taxes	11,473,000	16,534,000
Accrued equipment purchases	1,414,000	385,000
Toll and interconnect	23,016,000	28,668,000
Reorganization costs	4,542,000	7,273,000
Other	5,638,000	6,454,000
	$53,060,000	$67,766,000

Note 11. Long-Term Debt

Long-term debt consists of:

	December 31,	
	2002	2001
Senior secured credit facility, less unamortized discount of $10,291,000 (2002) and $11,687,000 (2001)	$145,809,000	$144,413,000
6% Convertible Notes, less unamortized discount of $2,846,000 (2002)	1,512,000	—
Other	—	33,000
	147,321,000	144,446,000
Less current portion	(1,512,000)	(33,000)
	$145,809,000	$144,413,000

In September 2000, subsidiaries of the Company entered into a senior secured credit facility. CCL and the Company have unconditionally guaranteed payment under the facility. The facility was amended and restated in April 2001. The senior secured credit facility provides for both a term loan facility and a revolving credit facility. The aggregate amount available was amended to $156.1 million, of which the term loan facility is $106.1 million and the revolving credit facility is $50 million. As of April 2001, the entire amount available under the senior secured credit facility had been borrowed. The senior secured credit facility is collateralized by substantially all of the Company's assets.

Note 11. Long-Term Debt (continued)

On March 31, 2003, the Company entered into an amendment to its senior secured credit facility. Under this amendment, the lenders under the facility agreed to defer interest payments on the outstanding loans during the period beginning March 12, 2003 until February 2, 2004, during which time the loans will accrue interest at a rate of 5.5% per annum plus the base rate, which is the higher of the prime rate or the federal funds effective rate plus 0.5% per annum. This rate will be approximately 9.75%. In addition, the required principal payments originally scheduled for 2003, which totaled $1.95 million, were deferred to February 2, 2004. The lenders have also agreed to waive and/or amend certain financial covenants set forth in the credit agreement until January 31, 2004, and added other financial covenants, in order to better reflect the Company's current operations.

The term loan facility will amortize in quarterly installments of principal commencing on February 2, 2004 with a final maturity on September 22, 2008. The revolving credit facility shall be automatically and permanently reduced in increasing quarterly installments of principal commencing on February 2, 2004 with a termination date on September 22, 2008. In the event CCL's remaining approximately $4.358 million principal amount of 6% Convertible Subordinated Notes have not been converted or refinanced on or prior to April 1, 2006, then the facilities become payable in full on April 1, 2006.

The interest rate on the senior secured credit facility was initially, at the Company's option, either 3.25% per annum plus the base rate, which is the higher of the prime rate or the federal funds effective rate plus 0.5% per annum; or the reserve-adjusted London Interbank Offered Rate plus 4.25% per annum. In April 2001 the interest rate was amended to, at the Company's option, 3.5% per annum plus the base rate or the reserve-adjusted London Interbank Offered Rate plus 4.5% per annum. Interest is payable monthly on the facility and, as noted above, the interest rate was adjusted further on March 31, 2003 in conjunction with the amendment signed on that date. The unused portion of the facility is subject to a commitment fee equal to 1.25% per annum payable quarterly, subject to reduction to 1.00% per annum based upon the amount borrowed under the facility. At December 31, 2002 and 2001, the effective interest rate on the amounts outstanding was 6.22% and 6.86%, respectively.

In addition, in connection with the financing in April 2001, CCL issued warrants to purchase shares of its common stock. The estimated value of the warrants plus the excess of other commitments over their estimated fair value to the Company aggregating $12,454,000 was recorded as a debt discount in April 2001.

Note 11. Long-Term Debt (continued)

The Company's consolidated balance sheet includes $4,358,000 aggregate principal amount of CCL's 6% Convertible Subordinated Notes upon the completion of the merger of CCL on July 1, 2002. The Company recorded the notes at $219,000, their fair value as of the acquisition date. The resulting discount of $4,139,000 is being amortized to interest expense over the remaining life of the notes, which are due October 1, 2006. The Company recorded amortization expense of $1,293,000 during 2002. Under the terms of the exchange offer in 2002, the holder of the notes could convert each $1,000 in aggregate principal amount into 9.1047 shares of common stock and $30.00 in cash. There are 39,678 shares of common stock reserved for issuance upon conversion of the notes. The interest payments that were due under the outstanding notes on April 1 and October 1, 2002 have not been made and CCL is in default under these notes. As such, the notes and the accrued interest thereon are currently due and payable in full. These notes are obligations of CCL and do not represent obligations of the Company.

In 1998, MegsINet entered into a working capital promissory note and a note payable for operating equipment. MegsINet was required to make monthly principal and interest payments through January 2002 for the working capital note and through September 2001 for the equipment note. In 2001, the holders of these notes agreed to accept cash of $400,000 and $800,000 in full settlement of all amounts due under the working capital note and certain capital leases and the equipment note, respectively. Extraordinary gains aggregating $4,067,000 were recorded as a result of these settlements.

In May 2001, the Company entered into an agreement with one of its equipment vendors whereby $17,166,000 due to the vendor was originally to be paid in three payments in January, May and August 2002. In December 2001, the Company and the vendor agreed to a modification of this arrangement in which the Company paid $2,000,000 and returned certain of the equipment in full settlement of the amount due. The Company recorded an extraordinary gain of $7,628,000 as a result of this transaction.

In April 2001, the Company and CCL as co-obligators issued to Booth American Company $10 million aggregate principal amount of 10.75% Unsecured Convertible PIK Notes Due April 2011. Interest on the notes was at an annual rate of 10.75% payable semiannually on October 15 and April 15 of each year, commencing October 15, 2001. The interest was payable in kind by the issuance of additional 10.75% Unsecured Convertible PIK Notes due April 2011 in such principal amount as shall equal the interest payment that was then due. The notes were convertible into CCL's common stock prior to maturity at a conversion price of $1.00 per share, subject to adjustment. Additional notes issued for interest had an initial conversion price equal to 120% of the weighted average closing price of CCL's common stock for a specified period. All of the outstanding 10.75% Unsecured Convertible PIK Notes Due April 2011 were exchanged for shares of the Company in December 2001.

Note 11. Long-Term Debt (continued)

The Company exchanged the approximately $10.8 million principal and accrued interest of 10.75% Unsecured Convertible PIK Notes Due 2011 and the approximately $18.0 million principal and accrued interest of 10.75% Senior Unsecured Convertible PIK Notes Due 2010 (that were included in notes payable to related parties) for shares of its common stock. The Company recorded an extraordinary gain of $25,677,000 from the extinguishment of these notes. During 2001, costs of $2,655,000 were incurred in connection with the ATX recapitalization, which were included as an offset to the extraordinary gain. In addition, the Company recorded an extraordinary gain of $4,781,000 in 2001 related to the settlement of other liabilities.

The senior secured credit facility restricts the payment of cash dividends and loans to the Company.

As of December 31, 2002, the aggregate principal amounts of long-term debt scheduled for repayment are as follows:

Year Ending December 31,	
2003	$4,358,000
2004	11,700,000
2005	25,350,000
2006	50,700,000
2007	39,000,000
Thereafter	29,350,000
	$160,458,000

Notes 12. Other Charges

Other charges in 2001 include reorganization charges of $37,372,000 and an adjustment to the reserve for notes receivable from former officers of Voyager of $2,181,000. The reorganization charges relate to the Company's announcements in May and July 2001 that it was taking additional actions to reorganize, re-size and reduce operating costs and create greater efficiency in various areas of the Company. A total of $21,386,000 of these costs are for equipment and other assets that will not require any future cash outlays. The employee severance and related costs in 2001 were for approximately 630 employees to be terminated, none of whom were still employed by the Company as of December 31, 2001. The major actions involved in the 2001 reorganization included: (1) consolidation of functions such as network operations, customer service and finance, (2) initiatives to increase gross margins and (3) agreements with vendors to reduce or eliminate purchase commitments. The consolidation of functions resulted in employee terminations and the closing of offices. Employee severance and related costs, lease exit costs and fixed assets and prepayment write-downs include charges related to these actions. Initiatives to increase gross margins resulted in consolidation of network assets and elimination of redundant and less profitable facilities. Charges for these actions include lease exit costs and fixed assets and prepayment write-downs. Finally, reductions or elimination of purchase commitments resulted in agreement termination charges. All of these actions were completed during 2002 and the remaining accrued expenses are anticipated to be paid out over the next 36 months. Fixed assets and prepayments written-off include $5,300,000 related to vacated offices, $13,400,000 for network assets in abandoned markets and $2,700,000 for prepayments in respect of ILEC facilities in abandoned markets.

Other charges in 2000 include a reserve of $8,700,000 for notes receivable from former officers of Voyager, and reorganization charges of $4,006,000. The employee severance and related costs in 2000 were for approximately 250 employees to be terminated, none of whom were still employed by the Company as of December 31, 2000.

The following table summarizes the reorganization charges incurred and utilized in during the three years ended December 31, 2002:

	Employee Severance and Related Costs	Lease Exit Costs	Agreement Terminations	Fixed Assets and Prepayments	Total
			(in thousands)		
Charged to expense	$2,089	$1,917	$—	$—	$4,006
Utilized	(775)	(1,396)	—	—	(2,171)
Balance, December 31, 2000	1,314	521	—	—	1,835
Charged to expense	3,409	6,928	6,572	21,772	38,681
Utilized	(4,214)	(4,343)	(2,914)	(21,772)	(33,243)
Balance, December 31, 2001	509	3,106	3,658	—	7,273
Utilized	(509)	(1,722)	(500)	—	(2,731)
Balance, December 31, 2002	$—	$1,384	$3,158	$—	$4,542

Note 13. Fair Values of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the consolidated balance sheets approximate fair value because of their liquid nature.

Accounts receivable and payable: The carrying amounts reporting in the consolidated balance sheets are deemed to approximate fair value because of their short-term nature.

Long-term debt: The carrying amount of the variable rate senior secured credit facility approximates the fair value because the effective interest rates are deemed to be representative of rates the Company could obtain under current market conditions. The fair value of the Company's other notes payable are estimated using discounted cash flow analyses, based on the Company's incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Company's financial instruments are as follows:

	December 31, 2002		December 31, 2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Cash and cash equivalents	$9,959	$9,959	$24,966	$24,966
Long-term debt:				
Senior secured credit facility	145,809	156,100	144,413	156,100
Notes payable to related parties	17,632	17,959	15,807	16,174
Other	1,512	146	33	33

Note 14. Leases

The Company has capital leases for certain of its operating equipment. Leased property included in operating equipment consists of:

	December 31, 2002	December 31, 2001
Operating equipment	$ 623,000	$29,108,000
Accumulated depreciation	(104,000)	(14,963,000)
	$ 519,000	$14,145,000

Depreciation expense for operating equipment acquired by capital lease totaled $3,619,000, $6,487,000 and $1,394,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

Note 14. Leases (continued)

Future minimum annual payments under these leases at December 31, 2002 are as follows:

Total minimum lease payments due during the year ending December 31, 2003	$9,558,000
Less amount representing interest (at rates ranging from 5.8% to 23.4%)	(24,000)
Present value of net minimum obligations	$9,534,000

As of December 31, 2002, the Company had leases for office space and equipment, which extend through 2013. Total rent expense for the years ended December 31, 2002, 2001 and 2000 under operating leases was $8,035,000, $8,791,000 and $7,764,000 respectively.

Future minimum annual lease payments under noncancellable operating leases at December 31, 2002 are as follows: $7,522,000 (2003); $5,146,000 (2004); $4,229,000 (2005); $3,026,000 (2006) $2,729,000 (2007) and $4,475,000 thereafter.

Note 15. Related Party Transactions

Notes payable to related parties consists of:

	December 31,	
	2002	2001
10.75% Unsecured Convertible PIK Notes Due April 2011, plus accrued interest, less unamortized discount of $327,000 (2002) and $367,000 (2001)..	$17,632,000	$15,807,000

Some of the directors of the Company were or are officers or directors of NTL Incorporated, referred to as NTL. In April 2001, CCL and the Company as co-obligors issued to NTL $15 million aggregate principal amount of 10.75% Unsecured Convertible PIK Notes Due April 2011. In addition, in April 2001, CCL issued warrants to NTL, and CCL and the Company entered into a network and software agreement with NTL. The estimated value of the warrants of $397,000 was recorded as a debt discount in April 2001. Pursuant to the network and software agreement with NTL, the Company will provide U.S. network access for U.K. Internet traffic from NTL's U.K. customers for three years, as well as a royalty free license to use certain provisioning software and know-how.

Note 15. Related Party Transactions (continued)

Interest on the 10.75% Unsecured Convertible PIK Notes Due April 2011 is at an annual rate of 10.75% payable semiannually on October 15 and April 15 of each year, which commenced on October 15, 2001. The interest is payable in kind by the issuance of additional unsecured convertible notes in principal amount equal to the interest payment that is then due. Additional unsecured convertible PIK notes, dated October 15, 2001, April 15, 2002, and October 15, 2002 were issued in the principal amount of approximately $0.8 million, $0.9 million, and $0.9 million respectively, as interest payments. The additional notes issued for interest will have an initial conversion price equal to the greater of $38.90 or 120% of the weighted average closing price of the Company’s common stock for a specified period. The April 2001 note, the October 2001 note, the April 2002 and the October 2002 note were each convertible into CCL common stock prior to maturity at a conversion price of $38.90 per share, subject to adjustment. Pursuant to letter agreements between the Company, NTL and CCL, at the completion of the exchange offers on July 1, 2002, the convertibility feature of these notes was altered so that rather than the notes being convertible into shares of CCL common stock, they are convertible into shares of the Company’s common stock. At that time, the conversion prices of these notes was equitably adjusted by applying the exchange ratio in the exchange offer for CCL common stock, which resulted in a new conversion price of $38.90 per share of the Company’s common stock for each of these notes. These notes are redeemable, in whole or in part, at the Company’s option, at any time after April 12, 2003, at a redemption price of 103.429% that declines annually to 100% in April 2007, in each case together with accrued and unpaid interest to the redemption date.

Until 2002, NTL provided the Company with management, financial, legal and technical services, access to office space and equipment and use of supplies. Amounts charged to the Company by NTL consist of salaries and direct costs allocated to the Company where identifiable, and a percentage of the portion of NTL's corporate overhead, which cannot be specifically allocated to NTL. Effective January 1, 2001, the percentage used to allocate estimated corporate overhead was reduced. It is not practicable to determine the amounts of these expenses that would have been incurred had the Company operated as an unaffiliated entity. The estimated allocations exceeded the actual costs incurred by approximately $2.8 million, of which $2.2 million was provided for as a reduction of corporate expenses in the quarter ended December 31, 2002. Taking this into effect for the year ended December 31, 2002, corporate expenses were reduced by $2,064,000. For the years ended December 31, 2001 and 2000, expenses related to NTL were $446,000 and $1,186,000, respectively, which is included in corporate expenses.

Until 2001 the Company provided NTL with access to office space and equipment and the use of supplies. In the fourth quarter of 1999, the Company began charging NTL a percentage of the Company's office rent and supplies expense. It is not practicable to determine the amounts of these expenses that would have been incurred had the Company operated as an unaffiliated entity. In the opinion of management, this allocation method is reasonable. In 2001 and 2000, the Company charged NTL $121,000 and $267,000, respectively, which reduced corporate expenses.

Note 15. Related Party Transactions (continued)

A subsidiary of the Company provides billing and software development services to subsidiaries of NTL. During the third quarter of 2002, the Company began recording the billings for these services as revenue, which totaled $1,438,000 for the year ended December 31, 2002. The Company historically recorded these billings as a reduction of general and administrative expenses. Expenses were reduced by $1,508,000 and $1,883,000 for the year ended December 31, 2002 and 2001, respectively, as a result of billing for these services.

In 2001, the Company and NTL entered into a license agreement whereby NTL was granted an exclusive, irrevocable, perpetual license to use certain billing software developed by the Company for telephony rating, digital television events rating, fraud management and other tasks. The sales price was cash of $12.8 million. The billing software was being used by NTL at the time of this agreement, and was being maintained and modified by the Company under an ongoing software maintenance and development outsourcing arrangement between the companies. The Company recorded the $12.8 million as deferred revenue to be recognized over a period of three years, which was the estimated amount of time the Company expected to provide service under this arrangement. The Company recognized $4.3 million and $2.5 million of this revenue in 2002 and 2001, respectively

In March 2000, the Company and NTL announced that they had entered into an agreement to link their networks in order to create an international Internet backbone that commenced operations in February 2001. The Company recognized revenue of $327,000 for the network usage in the year ended December 31, 2001.

The Company leases office space from entities controlled by an individual who owns 32% of the outstanding shares of the Company's common stock. Rent expense for these leases for the year ended December 31, 2002 and 2001 was approximately $1.4 million and $1.6 million, respectively.

During 2002, the Company engaged B/G Enterprises, LLC, a company affiliated with a Director of the Company, to provide travel related services. These services totaled $33,000 during 2002.

Notes 16. 401(k) Plan

The Company, through one of its subsidiaries, sponsors a 401(k) Plan in which all full-time employees who have completed 90 days of employment and are 21 years of age may participate. The Company's matching contribution is determined annually by the Board of Directors. Participants may make salary deferral contributions of 1% to 25% of their compensation not to exceed the maximum allowed by law. The expense for the years ended December 31, 2002, 2001 and 2000 was $281,000, $380,000 and $486,000, respectively.

Note 17. Shareholders' Equity

Stock Splits

The Company declared a 6,342.944-to-1 stock split which was effective on December 17, 2001. The Company's outstanding shares increased from 1,500 to 9,514,416 as a result of this stock split. On April 12, 2002, the Company declared a 3-for-1 stock split by way of a stock dividend, which was paid on the declaration date. The Company's outstanding shares increased from 9,514,416 to 28,543,248. The consolidated financial statements and the notes thereto give retroactive effect to the stock split.

Non-Cash Compensation

In June 2001, CCL's Board of Directors approved the repricing of certain CCL stock options granted to employees of the Company. All of these options have since been cancelled. George Blumenthal, the then Chairman of the Board of Directors of CCL, Barclay Knapp, the then President of CCL, and the members of the Board of Directors of CCL did not participate in the repricing. Options to purchase an aggregate of approximately 10.2 million shares of CCL's common stock with an average exercise price of $10.70 per share were repriced to $.25, $.75 or $1.25 per share of CCL, depending upon the original exercise price. The Company recognized non-cash compensation expense for the difference between the quoted market price of the common stock and the exercise price of the repriced options. The CCL Board of Directors took this action in 2001 to continue to provide the appropriate performance incentives to those affected.

In April 2000, the compensation and option committee of the CCL Board of Directors approved the issuance of options to purchase approximately 2,747,000 shares of CCL's common stock to employees of the Company at an exercise price of $14.55, which was less than the fair market value of CCL's common stock on the date of the grant. All of these options have since been cancelled. In accordance with APB Opinion No. 25, in April 2000, the Company recorded non-cash compensation expense of approximately $29.0 million and a non-cash deferred expense of approximately $31.3 million. From April 2000 to December 31, 2000, $9.7 million of the deferred non-cash compensation was charged to expense. In 2001, the remaining $21.6 million of the deferred non-cash compensation was charged to expense.

In November 2000, the Board of Directors of CCL approved the rescission of certain previously exercised employee stock options. CCL issued notes to employees of the Company for the repurchase of the 671,000 shares of CCL's common stock for an aggregate of $6,803,000, which exceeded the fair market value of CCL's common stock on the date of repurchase. The notes earned interest at a rate of 4.5% and were redeemed by CCL in December 2000. The Company recorded non-cash compensation of $4.7 million from these transactions.

Note 17. Shareholders' Equity (continued)

Stockholder Rights Plan

The Company adopted a stockholder rights plan in December 2001. In connection with the stockholder rights plan, the Board of Directors declared and paid a dividend of one preferred share purchase right for each share of common stock outstanding on December 17, 2001. Each right entitles the holder, under certain potential takeover events, to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock, referred to as Series A Preferred Stock, at an initial exercise price of $8.82 as determined on July 10, 2002. The exercise price is subject to future adjustment. The rights expire on December 17, 2011 unless an exchange or redemption or the completion of a merger occurs first. There are 1,000,000 shares of Series A Preferred Stock authorized for issuance under the plan. No shares of Series A Preferred Stock are issued or outstanding.

If any shares of Series A Preferred Stock are issued they will be entitled to a minimum preferential quarterly dividend payment of an amount equal to the greater of $.01 per share or 1,000 times the aggregate per share amount of all dividends declared on the Company's common stock. If any shares of Series A Preferred Stock are issued they will be entitled to a minimum preferential quarterly dividend payment of an amount equal to the greater of $.01 per share or 1,000 times the aggregate per share amount of all dividends declared on the Company's common stock since the immediately preceding dividend payment date. In the event of liquidation, the holders of Series A Preferred Stock will be entitled to a liquidation payment of $1 per share plus accrued and unpaid dividends. Each share of Series A Preferred Stock will have 1,000 votes on all matters and will vote as a single class with the holders of the Company's common stock.

Warrants

In connection with the amendment and restatement of the senior secured credit facility in April 2001, CCL issued to its lenders warrants to purchase approximately 10.6 million shares of its common stock at an exercise price of $.01 per share that expire in April 2011. Warrants to purchase an aggregate of approximately 1.4 million shares of CCL common stock issued in December 2000 and January 2001 were canceled upon the issuance of these new warrants.

Warrants issued by CCL in 1999 to purchase an aggregate of 563,000 shares of CCL common stock at $13.33 per share expired in May 2002.

Upon the completions of the exchange offer on July 1, 2002 all of then outstanding warrants of CCL were exercisable into common shares of the Company on an as-converted basis, subject to the exchange ratio in the exchange offer of 1/38.9. The Company has the following warrants outstanding as of December 31, 2002:

Year of Issue	Number of Shares	Exercise Price	Expiration Date
1999	1,000	$534.88	August 2008
1999	6,000	$864.36	May 2004
2001	272,000	$0.39	April 2011

Note 17. Shareholders' Equity (continued)

CCL Stock Options

As of the completion of the exchange offer, on July 1, 2002, CCL had approximately 22.2 million options and distribution warrants outstanding. Distribution warrants were warrants issued by CCL in connection with the distribution of CCL to CCPR shareholders. As of December 2001, all of the outstanding options and distributions warrants were fully vested and exercisable into CCL common shares. Effective November 15, 2002, the CCL Board of Directors cancelled all of the outstanding options and distribution warrants to acquire shares of CCL common stock.

ATX Stock Options

In December 2001, the Company adopted a new stock option plan for its employees. A total of 8.7 million shares of common stock were reserved for issuance under the plan, which represents 22.5% of the total fully diluted shares of the Company. During 2002, the Board of Directors approved grants of options to purchase an aggregate of approximately 7.8 million shares of the Company's common stock, representing approximately 20% of the total fully diluted shares. The exercise price of these options is $1.00 per share. The number of shares available under the plan and the number of shares into which each option is exercisable are subject to adjustment in the event of stock splits and other similar transactions.

The Company's option plan provides that incentive stock options be granted at the fair market value of the Company's common stock on the date of grant, and nonqualified stock options be granted at a price determined by the Compensation and Option Committee of the Company's Board of Directors. Options are generally exercisable as to 34% of the shares subject thereto on the date of grant and become exercisable as to an additional 33% of the shares subject thereto on each January 1 thereafter, while the option holder remains an employee of the Company or its affiliates. Options will expire ten years after the date of the grant.

Pro forma information regarding net loss and net loss per share is required by SFAS No. 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for 2002: risk-free interest rate of 4.81%, dividend yield of 0%, volatility factor of the expected market price of the Company’s common stock of 1.743 and a weighted-average expected life of the options of 10 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company’s stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its distribution warrants and stock options.

Note 17. Shareholders' Equity (continued)

A summary of the Company's stock option activity and related information for the year ended December 31, 2002 is as follows:

	Number of Options	Weighted-Average Exercise Price
Granted	7,816,000	$1.00
Exercised	(4,000)	1.00
Forfeited	(633,000)	1.00
Outstanding, December 31, 2002	7,179,000	$1.00
Exercisable, December 31, 2002	2,441,000	$1.00

Weighted-average fair value of options, calculated using the Black-Scholes option pricing model, granted during 2002 is $1.00. The weighted average remaining contractual life of the Company's options is 9.0 years

Shares Reserved for Future Issuance

At December 31, 2002, the Company had reserved the following shares of common stock for future issuance:

Common stock options outstanding	7,179,000
Common stock options available to grant	1,521,000
Common stock warrants	279,000
6% Convertible Notes	40,000
	9,019,000

Note 18. Income Taxes

The provision for income taxes consists of the following:

	Year Ended December 31,		
	2002	2001	2000
Current:			
Federal	$ —	$ —	$ —
State and local	250,000	94,000	125,000
Total current	250,000	94,000	125,000
Deferred:			
Federal	—	—	—
State and local	—	—	—
Total deferred	—	—	—
	$ 250,000	$ 94,000	$ 125,000

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	December 31,	
	2002	2001
Deferred tax assets:		
Depreciation	$11,682,000	$8,503,000
Net operating losses	93,393,000	95,932,000
Allowance for doubtful accounts and other	7,428,000	7,435,000
Amortization of goodwill	2,731,000	11,140,000
Accrued expenses	9,446,000	17,336,000
Asset impairments	51,708,000	16,737,000
Other	(82,000)	562,000
	176,306,000	157,645,000
Valuation allowance for deferred tax assets	(176,306,000)	(157,645,000)
Net deferred tax assets	$—	$—

Note 18. Income Taxes (continued)

The deferred tax assets have been fully offset by a valuation allowance due to the uncertainty of realizing such tax benefit. The deferred tax assets include $38 million, which, if realized, would be accounted for as a reduction of goodwill or an increase in equity.

Due to the completion of the debt cancellation in the first phase of the ATX recapitalization in December 2001, CCL realized for tax purposes approximately $265 million of income, most of which is not subject to tax as a result of an exception set forth in the Internal Revenue Code. To the extent that such amount is excluded from taxable income, taxable attributes of the Company and subsidiaries, consisting of net operating loss, referred to as NOL, carryforwards are subject to reduction. After reduction, NOL carryforwards at December 31, 2002 are $226 million, which include 2002 net operating losses of $167 million. These NOL carryforwards expire in various years through 2022. Furthermore, the ATX recapitalization caused an ownership change pursuant to section 382 of the Internal Revenue Code, which imposes an annual limitation on the utilization of NOL carryforwards. Utilization of the Company's remaining NOL carryforwards through December 28, 2001 will be significantly restricted by the section 382 limitation triggered by the ownership change.

The reconciliation of income taxes computed at U.S. federal statutory rates to income tax expense is as follows:

	Year Ended December 31,		
	2002	2001	2000
Benefit at federal statutory rate (35%)	$(53,896,000)	$(207,837,000)	$(105,391,000)
State and local income taxes	250,000	94,000	125,000
Expenses not deductible for tax purposes	29,285,000	135,313,000	33,619,000
Valuation allowance	24,611,000	72,524,000	71,772,000
	$250,000	$94,000	$125,000

Note 19. Commitments and Contingent Liabilities

As of December 31, 2002, the Company had purchase commitments of approximately $4,975,000 outstanding, of which all are due during 2003. Additionally, the Company has standby letters of credit of approximately $3,590,000 outstanding as of December 31, 2002, which are fully collateralized by certificates of deposit.

The Company is involved in various disputes, arising in the ordinary course of its business, which may result in pending or threatened litigation. None of these matters are expected to have a material adverse effect on the Company's financial position, results of operations or cash flows. Some of these disputes, regardless of their merit, could subject the Company to costly litigation and the diversion of technical and/or management personnel. In light of the Company's ongoing litigation with the local exchange carriers, on which the Company depends for certain services, from time to time, those carriers have and will likely continue to threaten service disruptions or termination. Any service disruptions or terminations, if actually implemented, could have a material adverse effect on the Company's business.

Currently, the Company has the following outstanding matters, which if resolved unfavorably, could have a material adverse effect:

- On August 12, 2002, Verizon Communications, Inc. and several of its subsidiaries filed a complaint in the United States District Court for the District of Delaware against the Company and several of its indirect wholly-owned subsidiaries, referred to as the defendants, seeking payment of approximately $37 million allegedly owed to Verizon under various contracts and state and federal law. Verizon also asked the Court to issue a declaratory ruling that it has not violated the antitrust laws.

  The defendants believe that they have meritorious defenses to the complaint, and further, that the amounts owed are substantially less than the amounts claimed by Verizon. For example, defendants believe the figure specified in the complaint includes payments that have been made by the defendants to Verizon (including in excess of $14 million paid soon after the filing of the complaint), credits that Verizon has issued to the Company since the filing of the complaint, and additional disputes for which Verizon owes credits to the defendants. The defendants have filed an answer to Verizon's complaint denying Verizon's claims, in part, and have asserted various counterclaims against Verizon, including claims seeking damages for breach of contract and treble damages for violating the antitrust laws. Defendants have also moved to dismiss Verizon's request for declaratory ruling on the antitrust claims, which Verizon has opposed.

  On November 18, 2002, Verizon filed a motion to dismiss defendants' antitrust counterclaims, relying heavily on a decision by the United States Court of Appeals for the 7th Circuit in *Goldwasser v. Ameritech Corp.*, 222 F.3d 390 (7th Cir. 2000) dismissing antitrust claims brought on behalf of a class of consumers who had purchased services from Ameritech in Illinois. On January 9, 2003, defendants filed their opposition to Verizon's motion, noting not only that the *Goldwasser* case is distinguishable from defendants' antitrust claims here, but also that the appellate court's rational in *Goldwasser* had been effectively repudiated by the appellate courts of the 2nd and 11th circuits, as well as by a federal trial court in the antitrust claim raised by the Company against SBC/Ameritech in the United States District Court for the Northern District of Ohio.

Note 19. Commitments and Contingent Liabilities (continued)

Oral argument on the parties' respective motions was originally scheduled for March 31, 2003. However, on March 20, 2003, the court issued an order postponing oral argument and denying the motions without prejudice to renew, pending a decision by the United States Supreme Court in *Verizon Communications, Inc. vs. Law Office of Curtis Trinko, LLP,* Supreme Court Docket No. 02-682 (cert. granted March 10, 2002). Defendants intend to pursue all available remedies and counterclaims and to defend themselves vigorously; however, the defendants cannot be certain how or when these matters will be resolved or the outcome of the litigation.

- On March 7, 2002, CoreComm Massachusetts, Inc., an indirect wholly-owned subsidiary of the Company, initiated litigation against Verizon New England d/b/a Verizon Massachusetts in the Suffolk Superior Court, Massachusetts, alleging breach of contract and seeking a temporary restraining order against Verizon Massachusetts. Verizon has filed its answer to CoreComm Massachusetts' complaint and filed counterclaims seeking payment of approximately $1.2 million allegedly owed by CoreComm Massachusetts under the parties' interconnection agreement and Verizon's tariffs. During the course of discovery, Verizon conceded that it had over-billed CoreComm Massachusetts by approximately $800,000. As a result, CoreComm Massachusetts amended its complaint to include claims against Verizon for unfair and deceptive acts or practices in violation of Massachusetts' fair trade practice laws. Verizon subsequently amended its complaint to specify a revised claim of $1.1 million. CoreComm Massachusetts ceased providing telephone services in Massachusetts on or about December 2002. The Company's withdrawal from providing telephone services in Massachusetts has not had material adverse affect on the Company's consolidated business.

- On April 4, 2003, the Company received a notice from Verizon claiming that Verizon is owed approximately $8.4 million by one of the Company's subsidiaries, CoreComm New York, Inc., for services allegedly purchased in the state of New York. Although it has not yet fully reviewed Verizon's claims, CoreComm New York, Inc. has the right to dispute charges that are not owed and intends to fully dispute any charges that are incorrect or without merit. CoreComm New York, Inc. intends to pursue all remedies available to it and defend itself vigorously, however, it is not presently possible to predict how these matters will be resolved. The operations of CoreComm New York, Inc. do not represent a material component of the Company's revenue, profits or operations.

- The Company and CoreComm Newco, Inc., an indirect, wholly-owned subsidiary of the Company, are currently in litigation with SBC Corp., Ameritech Ohio and other SBC subsidiaries over various billing and performance issues, including SBC/Ameritech's alleged violation of the antitrust laws and the adequacy of SBC/Ameritech's performance under a 1998 contract between CoreComm Newco and Ameritech Ohio. This litigation began in June 2001 when Ameritech threatened to stop processing new orders following CoreComm Newco's exercise of its right under the contract to withhold payments for Ameritech's performance failures. On October 9, 2001, Ameritech filed an amended complaint in the United States District Court, Northern District of Ohio seeking a total of approximately $14,400,000 in alleged outstanding charges.

Note 19. Commitments and Contingent Liabilities (continued)

On December 26, 2001, CoreComm Newco filed its answer to Ameritech's amended complaint and simultaneously filed three counterclaims against SBC Corp., Ameritech Ohio and certain of their respective subsidiaries and affiliates, alleging breach of contract, antitrust violations, and fraudulent or negligent misrepresentation claims. On July 25, 2002, the district court issued a decision denying a motion to dismiss from Ameritech and upholding CoreComm Newco's right to proceed with its antitrust, breach of contract and misrepresentation claims against all counter-defendants. On January 21, 2003 CoreComm Newco amended its complaint to include the Company and other affiliates as additional claimants and to add additional allegations supporting its claims, and on February 17, 2003, SBC/Ameritech filed its answer to the amended complaint.

The Company believes that CoreComm Newco has meritorious defenses to Ameritech's amended complaint that could reduce the amount currently in dispute. For example, the figure specified in Ameritech's complaint may not account for various amounts that have been properly disputed by CoreComm Newco as a result of billing errors and other improper charges, various refunds that Ameritech contends it has already credited to CoreComm Newco's accounts since the filing of the complaint, and payments that were made by CoreComm Newco in the ordinary course after the time of Ameritech's submission. However, the Company cannot be certain how or when the matter will be resolved. The Company also believes that, to the extent Ameritech prevails with respect to any of its claims, Ameritech's award may be offset in whole or in part by amounts that the Company and CoreComm Newco are seeking to obtain from SBC/Ameritech under their counterclaims. The Company and CoreComm Newco intend to pursue all available remedies and to defend themselves vigorously. However, it is impossible at this time to predict the outcome of the litigation.

- On December 3, 2001, General Electric Capital Corp., referred to as GECC, filed a civil lawsuit in the Circuit Court of Cook County, Illinois against CCL and MegsINet, Inc., an indirect subsidiary of the Company, seeking approximately $8 million in allegedly past due amounts and the return of equipment under a capital equipment lease agreement between Ascend and MegsINet.

Note 19. Commitments and Contingent Liabilities (continued)

Thereafter, GECC filed a second complaint in the Circuit Court of Cook County, Illinois against MegsINet, CCL and the Company seeking a court order allowing it to take repossession of its alleged equipment. On September 24, 2002, the Court issued an order granting GECC's request for repossession of the equipment. MegsINet has allowed GECC to take possession of the equipment, which has not had any material impact on the Company's business or operations. Defendants intend to defend themselves vigorously and to pursue all available claims and defenses. However, it is impossible at this time to predict the outcome of the litigation. MegsINet does not represent a material component of the Company's revenue, profits or operations, and MegsINet is an obligor under the Company's $156 million senior secured credit facility.

- On May 25, 2001, KMC Telecom, Inc. and some of its operating subsidiaries filed an action in the Supreme Court of New York for New York County against CCL, Cellular Communications of Puerto Rico, Inc., CoreComm New York, Inc. and MegsINet. KMC contends that it is owed approximately $2 million, primarily in respect of alleged early termination liabilities, under a services agreement and a co-location agreement with MegsINet. The defendants have denied KMC's claims and have asserted that the contracts at issue were signed without proper authorization, that KMC failed to perform under the alleged contracts, and that the termination penalties are not enforceable. On March 27, 2002, certain of the defendants initiated litigation against several former principals of MegsINet seeking indemnification and contribution against KMC's claims for breach of various representations and warranties made under the merger agreement pursuant to which MegsINet became a subsidiary of the Company. Defendants have also initiated coverage under an insurance policy designed to protect against such claims; the insurance carrier has initially declined coverage and it may be necessary to pursue litigation to obtain coverage in the event of a loss under the policy.

- On September 24, 2002, GATX Technologies, Inc., known as GATX, filed an action in the Thirteenth Judicial Circuit in Florida against CoreComm-Voyager, Inc., an indirect wholly-owned subsidiary of the Company, seeking recovery of amounts allegedly owed under an equipment lease totaling approximately $150,000. On October 21, 2002, CoreComm-Voyager moved to dismiss GATX's action for lack of jurisdiction. The motion is now pending with the Court. On October 28, 2002, 3Com Corporation, known as 3Com, filed an action against the Company in the Court of Common Pleas, Montgomery County, Pennsylvania seeking payment of approximately $900,000 under an equipment lease. Should either action proceed further, the defendants will defend themselves vigorously and pursue all available claims. However, it is not possible at this time to predict how or when either of these matters will be resolved.

Note 19. Commitments and Contingent Liabilities (continued)

- On March 1, 2002, Easton Telecom Services, LLC initiated litigation in the Northern District of Ohio against CoreComm Internet Group, Inc. seeking payment of approximately $4.9 million, primarily in respect of alleged early termination penalties for telecommunications services purportedly provided under alleged contracts. On August 23, 2002, the Court issued an order dismissing approximately $4 million of Easton's claims as invalid. Upon the conclusion of a jury trial that ended on November 8, 2002, Easton obtained a judgment against CoreComm Internet Group, Inc., Voyager Information Networks, Inc. and MegsINet in the total amount of $1,085,000. On February 4, 2003, the defendants filed an appeal in this matter with the United States Court of Appeals for the Sixth Circuit, and the plaintiff has filed a cross-appeal. Plaintiff is currently pursuing discovery in aid of execution on its judgment against defendants. All of the assets of the Company and its subsidiaries, including those of the defendants, are subject to a first priority security interest in favor of the senior lenders under the $156,100,000 senior credit facility.

- On June 7, 2002, the Board of Revenue and Finance of the Commonwealth of Pennsylvania issued an order granting in part and denying in part a petition for review of a decision by a lower administrative authority relating to the Company's alleged liability for sales and use tax for the period September 1, 1997 through July 31, 2000. Pursuant to the June 7 order, the Company has been assessed sales and use tax for the period at issue in the amount of $631,429, which has been accrued for in the Company's consolidated financial statements. On July 8, 2002, the Company filed a petition for review of the board's order in the Commonwealth Court of Pennsylvania seeking a further reduction of the assessment. The Company believes that it has meritorious defenses and that the assessment should be reduced; however it is not possible to predict how this matter will be resolved.

- On January 3, 2003, the Company and its indirect subsidiary MegsINet, Inc. filed a complaint against Broadwing in the U.S. District Court for the Eastern District of Pennsylvania seeking the return of approximately $700,000 in taxes billed by Broadwing in alleged violation of two Master Service Agreements. On February 24, 2003, Broadwing filed a motion to stay the action pending their request to arbitrate the matter before the American Arbitration Association. The matter is still pending before the court, and plaintiffs intend to pursue their claims vigorously.

- On February 28, 2003, Focal Communications Corp. and certain of its subsidiaries initiated adversarial proceedings in Focal's Chapter 11 case under the U.S. Bankruptcy laws against the Company and certain of its subsidiaries seeking payment of approximately $802,687 in charges for interstate and intrastate switch access services allegedly provided by Focal's subsidiaries in Illinois, Pennsylvania, Delaware and New York. The defendants are currently reviewing Focal's claims and intend to defend themselves vigorously and pursue all available counterclaims, including claims for any amounts owed by Focal to any of the defendants. However, it is not possible at this time to predict how or when this matter will be resolved.

SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF ATX COMMUNICATIONS, INC.

CONDENSED BALANCE SHEETS

	December 31, 2002	December 31, 2001
ASSETS		
Current assets:		
Prepaid expense	$ 929,000	$ 476,000
Total current assets	929,000	476,000
Investment in and loans to subsidiaries	-	21,151,000
Investment in CCL Historical, Inc.	-	3,863,000
Other	1,115,000	1,100,000
	$ 2,044,000	$ 26,590,000
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Notes payable to related parties	17,632,000	15,807,000
Commitments and contingent liabilities		
Shareholders' equity (deficiency):		
Common stock	300,000	300,000
Additional paid-in capital	1,030,613,000	1,022,634,000
(Deficit)	(1,046,501,000)	(1,012,151,000)
	(15,588,000)	10,783,000
	$ 2,044,000	$ 26,590,000

See accompanying notes.

SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF ATX COMMUNICATIONS, INC.

CONDENSED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2002	2001	2000
Costs and expenses			
Corporate	$ 758,000	$ -	$ -
Operating loss	(758,000)	-	-
Other income (expense)			
Interest income and other, net	18,000	4,025,000	2,787,000
Interest expense	(1,827,000)	(3,767,000)	(70,000)
Income before equity in net loss of subsidiaries and extraordinary item	(2,567,000)	258,000	2,717,000
Equity in net loss of subsidiaries	(31,783,000)	(619,850,000)	(303,958,000)
Loss before extraordinary item	(34,350,000)	(619,592,000)	(301,241,000)
Gain from extinguishment of debt	-	25,677,000	-
Net loss	$ (34,350,000)	$ (593,915,000)	$ (301,241,000)

See accompanying notes.

SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF ATX COMMUNICATIONS, INC.

CONDENSED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2002	**2001**	**2000**
Net cash provided by (used in) operating activities	$ (32,993,000)	$ 4,712,000	$ 539,000
Investing activities			
Acquisitions, net of cash acquired	-	-	(98,613,000)
Purchase of marketable of securities	-	-	(1,343,000)
Proceeds from the sale of marketable securities	-	1,343,000	-
Decrease in investments in and loans to subsidiaries	32,993,000	(14,089,000)	(144,909,000)
Net cash provided by (used in) investing activities	32,993,000	(12,746,000)	(244,865,000)
Financing activities			
Capital contributions (distributions)	-	(23,164,000)	232,472,000
Proceeds from borrowings, net of financing costs	-	25,000,000	16,170,000
Net cash provided financing activities	-	1,836,000	248,642,000
Net cash increase (decrease) in cash equivalents	-	(6,198,000)	4,316,000
Cash and cash equivalents at beginning of period	-	6,198,000	1,882,000
Cash and cash equivalents at end of period	$ -	$ -	$ 6,198,000
Supplemental schedule of non-cash investing activities			
Capital contributions of non-cash net assets	$ -	$ -	$ 559,721,000
Shares issued to acquire CCL Historical, Inc.	$ 7,979,000	$ -	$ -

See accompanying notes.

SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF ATX COMMUNICATIONS, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

Note 1. Organization

ATX Communications, Inc., referred to as the Company, was formed in May 1998 as a Bermuda corporation. It was a wholly-owned subsidiary of CCL Historical Inc., referred to as CCL, until December 2001. In July 1999, the Company was domesticated under the laws of Delaware.

Note 2. Basis of Presentation

In the Company's condensed financial statements, the Company's investment in subsidiaries is stated at cost plus equity in the undistributed earnings of the subsidiaries. The Company's share of net loss of its subsidiaries is included in net loss using the equity method of accounting. The condensed financial statements should be read in conjunction with the Company's consolidated financial statements.

Note 3. ATX Recapitalization

In the second phase of the ATX recapitalization, the Company offered to all holders of CCL common stock and all remaining holders of 6% Convertible Subordinated Notes due 2006 of CCL to exchange shares of the Company’s common stock for their CCL common stock and their notes, respectively. The Company completed the exchange offer on July 1, 2002, and issued 3,610,624 shares of common stock to former holders of CCL common stock and holders of 6% Convertible Subordinated Notes due 2006 of CCL. The common stock issued under the exchange offer was valued at $7,979,000, which was based on the estimated fair value of the Company’s common stock. Following the exchange offer, the Company transferred the shares of CCL common stock that it received in the exchange offer to a wholly owned subsidiary. The Company then merged this subsidiary into CCL, with CCL surviving the merger as a wholly owned subsidiary of the Company.

SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF ATX COMMUNICATIONS, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

Note 4. Notes Payable

Notes payable to related parties consists of:

	December 31,	
	2002	2001
10.75% Unsecured Convertible PIK Notes Due April 2011, plus accrued interest, less unamortized discount of $327,000 (2002) and $367,000 (2001)..	$17,632,000	$15,807,000

Some of the officers and directors of the Company are also officers or directors of NTL Incorporated, referred to as NTL. In April 2001, CCL and the Company as co-obligors issued to NTL $15 million aggregate principal amount of 10.75% Unsecured Convertible PIK Notes Due April 2011. In addition, in April 2001, CCL issued warrants to NTL, and CCL and the Company entered into a network and software agreement with NTL. The estimated value of the warrants of $397,000 was recorded as a debt discount in April 2001.

Interest on the 10.75% Unsecured Convertible PIK Notes Due April 2011 is at an annual rate of 10.75% payable semiannually on October 15 and April 15 of each year, which commenced on October 15, 2001. The interest is payable in kind by the issuance of additional unsecured convertible notes in principal amount equal to the interest payment that is then due. Additional unsecured convertible PIK notes, dated October 15, 2001, April 15, 2002, and October 15, 2002 were issued in the principal amount of approximately $0.8 million, $0.9 million, and $0.9 million respectively, as interest payments. The additional notes issued for interest will have an initial conversion price equal to the greater of $38.90 or 120% of the weighted average closing price of the Company's common stock for a specified period. The April 2001 note, the October 2001 note, the April 2002 and the October 2002 note were each convertible into CCL common stock prior to maturity at a conversion price of $38.90 per share, subject to adjustment. Pursuant to letter agreements between the Company, NTL and CCL, at the completion of the exchange offers on July 1, 2002, the convertibility feature of these notes was altered so that rather than the notes being convertible into shares of CCL common stock, they are convertible into shares of the Company's common stock. At that time, the conversion prices of these notes was equitably adjusted by applying the exchange ratio in the exchange offer for CCL common stock, which resulted in a new conversion price of $38.90 per share of the Company's common stock for each of these notes. These notes are redeemable, in whole or in part, at the Company's option, at any time after April 12, 2003, at a redemption price of 103.429% that declines annually to 100% in April 2007, in each case together with accrued and unpaid interest to the redemption date.

SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF ATX COMMUNICATIONS, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

Note 5. Guarantees of the Registrant

In September 2000, subsidiaries of the Company entered into a senior secured credit facility. The facility was amended and restated in April 2001. As of April 2001, the entire amount available under the senior secured credit facility of $156.1 million has been borrowed. The Company has unconditionally guaranteed payment under the facility.

Note 6. Other

No cash dividends were paid to the registrant by subsidiaries from January 1, 1999 through December 31, 2002.

On April 12, 2002, ATX Communications declared a 3-for-1 stock split by way of a stock dividend. The condensed financial statements and the notes thereto give retroactive effect to the stock split.

ATX COMMUNICATIONS, INC.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

Col. A	Col. B	Col. C		Col. D	Col. E
		Additions			
		(1)	(2)		
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts-Describe	Deductions-Describe	Balance at End of Period
Year ended December 31, 2002:					
Allowance for doubtful accounts	$9,759,000	$6,696,000	$ —	$(7,700,000)(a)	$8,755,000
Year ended December 31, 2001:					
Allowance for doubtful accounts	11,034,000	7,143,000	—	(8,418,000)(a)	9,759,000
Year ended December 31, 2000:					
Allowance for doubtful accounts	3,949,000	7,130,000	—	(45,000)(b)	11,034,000

(a) Uncollectible accounts written-off, net of recoveries.

(b) Uncollectible accounts written-off, net of recoveries, of $9,269,000 offset by $9,224,000 allowance for doubtful accounts as of acquisition date from business combinations.

(c) Uncollectible accounts written-off, net of recoveries, of $24,688,000 offset by $24,654,000 allowance for doubtful accounts as of acquisition date from business combinations.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

Chapter 11

In re:

CORECOMM NEW YORK, INC., et al.,	04-10214(PCB)
Debtor(s)	Case No.

CONSOLIDATED MONTHLY OPERATING REPORT FOR THE PERIOD FROM NOVEMBER 1, 2004 TO NOVEMBER 30, 2004

DEBTORS' ADDRESS[1]:

CORECOMM NEW YORK, INC., et al.
Attn: Mr. Thomas Gravina
Mr. Stephen Marotta
2100 Renaissance Boulevard
King of Prussia, PA19406

DEBTORS' ATTORNEY:

Willkie Farr & Gallagher LLP
Attn: Paul Shalhoub, Esq.
Dan McElhinney, Esq.
787 Seventh Avenue
New York, NY 10019

	($ in thousands)
CONSOLIDATED MONTHLY DISBURSEMENTS:	$20,842
CONSOLIDATED MONTHLY OPERATING PROFIT (LOSS):	$(1,606)

The undersigned, having reviewed the attached report and being familiar with the Debtors' financial affairs, verifies under penalty of perjury, that the information contained therein is complete, accurate and truthful to the best of my knowledge.

Neil Peritz
Senior Vice President of Finance, Treasurer and Controller

December 31, 2004
Date

[1] Certain of the Debtors are located at 75 Broad Street, New York, NY 10014.

CORECOMM NEW YORK INC., et al.
(DEBTORS-IN-POSSESSION)
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
As of November 30, 2004 and October 31, 2004

Dollars in 000's	November 30, 2004	October 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,904	$ 10,503
Accounts receivable, net	30,691	30,672
Other	4,193	4,505
Total current assets	45,788	45,680
Fixed assets, net	23,947	24,651
Goodwill	79,558	79,558
Other assets, net	5,834	5,949
	$ 155,127	$ 155,838
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable and accrued expenses	$ 17,105	$ 16,078
Post-petition term loan	5,000	5,000
Deferred revenue	12,097	12,333
Total current liabilities	34,202	33,411
Liabilities subject to compromise		
Senior secured credit facility, including accrued interest	170,213	170,213
10.75% PIK notes, including accrued interest	20,023	20,023
6% convertible notes, including accrued interest	4,974	4,974
Priority claims	2,418	2,418
Non-priority claims	77,539	77,539
Other contingent & accrued liabilities	38,408	38,304
Total liabilities subject to compromise	313,575	313,471
Shareholders' deficiency:		
Preferred stock	-	-
Common stock	300	300
Additional paid-in capital	1,030,044	1,030,044
Deficit	(1,222,918)	(1,221,312)
	(192,574)	(190,968)
Treasury stock at cost	(76)	(76)
Total shareholders' deficiency	(192,650)	(191,044)
	$ 155,127	$ 155,838

See accompanying notes.

CORECOMM NEW YORK INC., et al.
(DEBTORS-IN-POSSESSION)
UNAUDITED CONDENSED STATEMENT OF OPERATIONS
For the Month Ended November 30, 2004

Dollars in 000's

Revenues	$	20,259
Costs and expenses:		
Operating		12,893
Selling, general and administrative		6,442
Corporate		522
Depreciation		1,261
		21,118
Operating loss		(859)
Other income (expense):		
Other, net		(17)
Interest expense		(90)
Net loss before reorganization charges and income taxes		(966)
Reorganization charges		(598)
Net loss before income taxes		(1,564)
Income tax provision		(42)
Net loss	$	(1,606)
Basic and diluted net loss per share	$	(0.05)
Weighted average number of shares		29,959,000

See accompanying notes.

CORECOMM NEW YORK INC., et al.
(DEBTORS-IN-POSSESSION)
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
For the Month Ended November 30, 2004

Dollars in 000's

Operating activities		
Net loss	$	(1,606)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation		1,261
Provision for losses on accounts receivable		372
Amortization of deferred financing costs		38
Changes in operating assets and liabilities:		
Accounts receivable		(391)
Other current assets		312
Other assets		77
Accounts payable and accrued expenses		1,131
Deferred revenue		(236)
Net cash provided by operating activities:		958
Investing activities		
Purchase of fixed assets		(557)
Net cash used in investing activities		(557)
Financing activities		
Net cash provided by financing activities		-
Net increase in cash and cash equivalents		401
Cash and cash equivalents at beginning of period		10,503
Cash and cash equivalents at end of period	$	10,904

See accompanying notes.

CORECOMM NEW YORK INC., et al.
(DEBTORS-IN-POSSESSION)
UNAUDITED SCHEDULE OF FEDERAL, STATE AND LOCAL TAXES
For the Month Ended November 30, 2004

Dollars in 000's

Gross Wages and Salaries Paid	$	3,906
Payroll Taxes:		
Payroll taxes withheld	$	923
Employer payroll tax contributions		243
Total Payroll taxes	$	1,166
Payroll taxes remitted to taxing agency	$	1,166
Date(s) remitted to taxing agency		**various**
Sales, Excise and Gross Receipts Taxes:		
Estimated taxes accrued	$	1,584
Taxes remitted to taxing agency		
November 5, 2004	$	1
November 12, 2004		1,160
November 19, 2004		101
November 26, 2004		-
November 30, 2004		-
	$	**1,262**

CORECOMM NEW YORK INC., et al.
(DEBTORS-IN-POSSESSION)
DETAIL OF ALLOCATED DISBURSEMENTS BY DEBTOR ENTITY
For the Month Ended November 30, 2004

Dollars in 000's

Debtor Name	Case Number	Allocated Disbursements
CoreComm New York, Inc.	04-10214	$ 150
CoreComm Services LLC	04-10215	694
ATX Telecommunications Svcs of Virginia, LLC	04-10216	-0-
ATX Communications, Inc.	04-10217	-0-
CCL Historical, Inc.	04-10218	2
Fiberstream, Inc.	04-10219	-0-
Corecomm Communications, Inc.	04-10220	-0-
CoreComm Indiana, Inc.	04-10221	26
Fiberstream of New York, Inc.	04-10222	-0-
CoreComm Michigan, Inc.	04-10223	886
CoreComm Illinois, Inc.	04-10224	557
CoreComm Newco, Inc.	04-10225	2,120
CoreComm Massachusetts, Inc.	04-10226	-0-
CoreComm Missouri, Inc.	04-10227	-0-
CoreComm Vermont, Inc.	04-10228	-0-
CoreComm New Jersey, Inc.	04-10229	3
CoreComm Ohio, Inc.	04-10230	-0-
CoreComm Wisconsin, Inc.	04-10231	141
CoreComm Pennsylvania, Inc.	04-10232	7
FCC Holdco I, Inc.	04-10233	-0-
CoreComm Rhode Island, Inc.	04-10234	-0-
CoreComm West Virginia, Inc.	04-10235	-0-
Cortelyou Communications Corp.	04-10236	-0-
ATX Licensing, Inc.	04-10237	-0-
Digicom, Inc.	04-10238	-0-
CoreComm-Voyager, Inc.	04-10239	2,074
CoreComm-ATX, Inc.	04-10240	13,898
Voyager Data Services, Inc.	04-10241	-0-
Voyager Information Networks, Inc.	04-10242	-0-
CoreComm Internet Group, Inc.	04-10243	-0-
Horizon Telecommunications, Inc.	04-10244	-0-
MegsInet Internet, Inc.	04-10245	282
CoreComm Maryland, Inc.	04-11610	2
Total		**$ 20,842**

CORECOMM NEW YORK INC., et al.
(DEBTORS-IN-POSSESSION)
NOTES TO UNAUDITED MONTHLY OPERATING REPORT

Note 1. General

On January 15, 2004, CoreComm New York, Inc. and each of its affiliates (collectively, and including CoreComm Maryland, Inc., the "Debtors" or the "Company"), other than CoreComm Maryland Inc. ("CoreComm MD") filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") in order to facilitate the restructuring of the Company's debt, trade liabilities and other obligations. CoreComm MD filed its voluntary Chapter 11 petition with the Bankruptcy Court on March 10, 2004. Pursuant to orders of the Bankruptcy Court dated January 16, 2004 and March 31, 2004, the Debtors cases (Nos. 04-10214 through 04-10245 and 04-11610) are being jointly administered for procedural purposes only.

Pursuant to applicable sections of the Bankruptcy Code, each of the Debtors is a "debtor-in-possession." In general, as a debtor-in-possession, the Debtors are authorized to continue to operate their businesses and maintain their properties while in Chapter 11, although they are precluded from engaging in transactions outside of the ordinary course of their respective businesses without the prior approval of the Bankruptcy Court.

The Debtors are facilities-based integrated communications providers that offer local and long distance, telephone, Internet, high-speed data and related communications services to business and residential customers in targeted markets throughout the Mid-Atlantic and Mid-West regions of the United States. The Company's Mid-Atlantic customers are located principally in Pennsylvania, New Jersey, Maryland, New York, Virginia, Delaware and Washington D.C., and their Mid-West customers are located principally in Ohio, Michigan, Wisconsin, Illinois and Indiana.

Under Section 362 of the Bankruptcy Code, the filing of a bankruptcy petition automatically stays most actions against the Company, including most actions to collect pre-petition indebtedness or to exercise control over property of the Company's bankruptcy estate. Absent an order of the Bankruptcy Court, we anticipate that substantially all of the Company's pre-petition liabilities will be addressed under a chapter 11 plan.

Under Section 365 of the Bankruptcy Code, the Company may assume or reject certain executory contracts and unexpired leases, including leases of real property, subject to the approval of the Bankruptcy Court and, the satisfaction of certain other conditions. In general, claims arising from the rejection of an unexpired lease or executory contract are treated as pre-petition claims. Counter parties to these rejected contracts or leases may file proofs of claim against the applicable Debtor's estate for damages relating to such rejection. The Company cannot presently determine with certainty the ultimate aggregate liability that may result from the filing of claims related to contracts or leases that have been or may be rejected.

CORECOMM NEW YORK INC., et al.
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NOTES TO UNAUDITED MONTHLY OPERATING REPORT

Note 1. General (continued):

The United States Trustee for the Southern District of New York has appointed an official committee of unsecured creditors (the "Creditors' Committee" or "UCC"). The Creditors' Committee is a party in interest and may be heard on matters that come before the Bankruptcy Court. On May 14, 2004, the UCC filed a Motion of the Official Committee of Unsecured Creditors to Dismiss the Debtors' Bankruptcy Case or, in the Alternative, for the Appointment of a Chapter 11 Trustee (the Dismissal/Trustee Motion"). The UCC adjourned this Dismissal/Trustee Motion without return date on July 15, 2004. We anticipate that the rights and claims of various creditors and security holders will be determined under a chapter 11 plan that is confirmed by the Bankruptcy Court. Under the priority rules established by the Bankruptcy Code, certain post-petition liabilities and certain pre-petition liabilities are given priority over general unsecured pre-petition indebtedness, and are required to be satisfied before general unsecured creditors or stockholders are entitled to any distribution.

In order to exit Chapter 11 successfully, the Company will need to propose and obtain confirmation by the Bankruptcy Court of a plan of reorganization that satisfies the requirements of the Bankruptcy Code. On June 1, 2004, the Debtors filed their Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code (the "Plan") and related disclosure statement. No hearing has been scheduled to approve the Plan or related disclosure statement. At this time, and until a plan is confirmed, it is not possible to predict accurately the effect of the Chapter 11 reorganization process on the Company's business, creditors or stockholders or when the Company may emerge from Chapter 11. The Company's future results depend on the timely and successful confirmation and implementation of a plan of reorganization.

On September 15, 2004, the Bankruptcy Court approved an order authorizing the Debtors to enter into a Post-Petition Term Loan Agreement ("DIP Agreement") with Leucadia National Corporation ("Leucadia"), the Debtors' pre-petition secured lender. The DIP Agreement became effective on October 1, 2004. On October 8, 2004, the Debtors borrowed $5,000,000, the maximum advance available under the DIP Agreement. The advance under the DIP Agreement is fully due and payable (with interest) at the Termination Date (as defined in the DIP Agreement), which is the earlier of: (a) the date 180 days from the closing date; (b) the effective date of an approved Plan of Reorganization (as defined in the DIP Agreement); (c) the acceleration of the loans by Leucadia in accordance with certain conditions under the DIP Agreement; or (d) the completion of the sale or liquidation of the Debtors or substantially all of their assets. Interest is calculated on the daily outstanding principal balance of the loan at a rate of 10% per annum and is payable on the Termination Date. The Debtors are subject to certain financial and non-financial covenants as set forth in the DIP Agreement. The loan is secured by substantially all of the Debtors' assets.

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NOTES TO UNAUDITED MONTHLY OPERATING REPORT

Note 2. Basis of Presentation:

This Operating Report is in a format prescribed by the applicable bankruptcy law and guidelines. The Company cautions the reader not to place undue reliance upon the information contained in the Operating Report. The information in the Operating Report has been prepared in accordance with accounting standards generally accepted in the United States of America for interim reporting. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. There can be no assurance that the Operating Report is complete, and the Company undertakes no obligation to update or revise this Operating Report. The Operating Report has not been audited or reviewed by independent accountants.

The unaudited information in the Operating Report is subject to further review and potential adjustments including those arising from the completion of the Company's 10K and 10Q for the year ended December 31, 2003 and the quarters ended March 31, June 30 and September 30, 2004, respectively, and is not necessarily indicative of the results that may be expected for the quarters ending March 31, June 30 and September 30, 2004, or the year ending December 31, 2004. In addition, the Operating Report contains information for periods which may be shorter or otherwise different from those contained in the Company's reports pursuant to the Securities Exchange Act of 1934, as amended. Accordingly, the substance and format of the Operating Report does not allow for meaningful comparison with the Company's publicly disclosed consolidated financial statements.

The unaudited condensed consolidated financial statements contained herein have been prepared in accordance with generally accepted accounting principles applicable to a going concern, and do not purport to reflect or to provide all of the possible consequences of the ongoing Chapter 11 reorganization cases. Specifically, the unaudited condensed consolidated financial statements do not present the amount, which will ultimately be paid to settle liabilities and contingencies, which may be required in the Chapter 11 reorganization. The Company filed the Plan on June 1, 2004, however, it is subject to amendment and, ultimately, acceptance by the required impaired creditors and approval by the Bankruptcy Court.

Because of the ongoing nature of these Chapter 11 cases, the outcome of which is not presently determinable, the unaudited condensed consolidated financial statements contained herein are subject to material uncertainties and may not be indicative of the results of the Company's future operations or financial position. No assurance can be given that the Company will be successful in reorganizing its affairs within its Chapter 11 bankruptcy proceedings.

As a result of the items discussed above, there is substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent upon, but not limited to approval and confirmation of a plan of reorganization and the ability to obtain positive results of operations.

The Operating Report does not include any adjustments to the recorded amounts or reflect any amounts that may be ultimately paid to settle liabilities and contingencies which may be required in the Chapter 11 reorganization or the effect of any changes, which may be made in connection with the Company's operations resulting from a plan of reorganization.

Note 2. Basis of Presentation (continued):

The consolidated Operating Report has been prepared in accordance with the provisions of the American Institute of Certified Public Accountants Statement of Position 90-7 "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" ("SOP 90-7"). Pursuant to SOP 90-7, the Company's pre-petition liabilities that are subject to compromise are reported separately on the balance sheet as an estimate of the amount that will ultimately be allowed by the Bankruptcy Court.

Pursuant to SOP 90-7, an objective of financial statements issued by an entity in Chapter 11 is to reflect its financial evolution during the proceeding. For that purpose, the financial statements for periods including and subsequent to filing the Chapter 11 petition should distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Certain expenses, realized gains and losses and provisions for losses not directly related to ongoing operations are reflected separately in the consolidated statement of operations as reorganization charges. Reorganization charges for the month ended November 30, 2004 consist of the following:

Dollars in 000s

Professional fees	$	547
Circuit termination charges		28
Trustee fees		23
	$	598

Additionally, pre-petition debt that is subject to compromise must be recorded at the allowed claim amount, which generally results in the elimination of any deferred financing amounts associated with the debt. Other than those obligations authorized to be paid by the Court, no claims relating to pre-petition debt have been allowed by the Bankruptcy Court as of the date of this Operating Report. As a result, pre-petition debt subject to compromise is recorded at pre-petition value (i.e., book value as of January 15, 2004, subject to adjustments based on subsequent information obtained, as well as any Court-authorized payments of such obligations).

Note 3. Significant Accounting Policies:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: the amount of uncollectible accounts receivable, the amount to be paid to terminate certain agreements included in reorganization costs, the amount to be paid to settle certain toll and interconnection liabilities, the amount to be paid as a result of certain sales and use tax audits, potential liabilities arising from other sales tax matters and estimates related to the value of long-lived assets and goodwill. Actual results could differ from those estimates.

CORECOMM NEW YORK INC., et al.
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NOTES TO UNAUDITED MONTHLY OPERATING REPORT

Note 3. Significant Accounting Policies (continued):

Principles of Consolidation

The consolidated financial statements include the accounts of the Debtors. Significant intercompany accounts and transactions among the Debtors have been eliminated as a result of the consolidation of the Debtors for purposes of preparing this report.

Contingent Liabilities

The Company's determination of the treatment of contingent liabilities is based on a view of the expected outcome of the applicable contingency. The Company's assigned legal counsel is consulted on matters related to litigation. Experts both within and outside the Company are consulted with respect to other matters that arise in the ordinary course of business. Examples of matters that are based on assumptions, judgments and estimates are the amount to be paid to terminate some agreements included in reorganization costs, the amounts to be paid to settle some toll and interconnection liabilities, the amount to be paid as a result of some sales and use tax audits and potential liabilities arising from other sales tax matters, and potential liabilities arising from litigation. A liability is accrued if the likelihood of an adverse outcome is probable of occurrence and the amount is estimable.

In the ordinary course of its business the Company maintains an annual performance incentive program for its employees. While the Company's board has approved a $1,500,000 program for 2004, the performance measurement targets and metrics for the program have not been finalized. Therefore, the Company has not yet provided for any liability for this program. Additionally, the Company has recorded a post-petition expense of $1,760,000 through November 30, 2004 for bonuses to certain key executives in accordance with the terms of their employment contracts. To date these bonuses have not been paid.

The Company has been in discussions with one of its equipment lessors who has asserted claims of approximately $1,600,000 relating to post-petition obligations under certain equipment leases. The Company is currently working with its outside legal counsel to assess the validity of the lessor's claims. It is not possible at this time to predict how or when this claim will be resolved. Additionally, the Company is not presently able to estimate the amounts due under these equipment leases, if any. Accordingly, the Company has not recorded a liability in connection with this claim.

Net Loss Per Share

The Company reports its basic and diluted net loss per share in accordance with Financial Accounting Standards Board, referred to as FASB, Statement of Financial Accounting Standards, referred to as SFAS, No. 128, "Earnings Per Share."

Note 3. Significant Accounting Policies (continued):

Revenue Recognition and Certain Cost Classifications

Revenues are recognized at the time the service is rendered to the customer or the performance of the service has been completed. Charges for services that are billed in advance are deferred and recognized when earned.

Operating costs includes direct costs of sales and network costs. Direct costs of sales include the costs directly incurred primarily with other telecommunications carriers in order to render services to customers. Network costs include the costs of fiber and access, points of presence, repairs and maintenance, rent, utilities and property taxes of the telephone, Internet and data network, as well as salaries and related expenses of network personnel.

Note 4. Commitments and Contingent Liabilities:

The Company had standby letters of credit of approximately $568,000 outstanding as of November 30, 2004, which are fully collateralized by certificates of deposit included in other assets.

Note 5. Insurance:

All insurance policy premiums, including those relating to applicable workers' compensation and disability insurance, covering the period November 1, 2004 through November 30, 2004 have been paid.

Note 6. Liabilities subject to compromise:

As discussed in Note 1, the Debtors have been operating as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the provisions of the Bankruptcy Code.

In the condensed balance sheet, the caption "Liabilities subject to compromise" reflects the Company's current estimate of pre-petition claims against the Debtors.

Pursuant to Bankruptcy Court orders, the Company has been authorized to pay certain pre-petition liabilities. For the period November 1, 2004 through November 30, 2004, the Company did not make any payments on account of such pre-petition liabilities. Certain Court-authorized setoffs of pre-petition liabilities may have occurred during that period.

As permitted under the Bankruptcy Code Section 365, the Company has rejected certain of its pre-petition contracts and leases. The Debtors are in the process of calculating their estimated liabilities to the unsecured creditors affected by these lease/contract rejections.

Note 6. Liabilities subject to compromise (continued):

The Debtors have notified all known claimants subject to the bar date of their right to file certain proofs of claim against the Debtors' estates. A bar date is the date by which claims against the Debtors must be filed if the claimants wish to receive any distribution in the Chapter 11 cases. The Bankruptcy Court previously set May 24, 2004 as the bar date for proofs of claim relating pre-petition amounts owed by the Debtors to any person or entity (other than a governmental unit). The Bankruptcy Court also established July 13, 2004 as the bar date for such claims of governmental units. Differences between liability amounts estimated by the Company and claims filed by creditors will be investigated, and the Bankruptcy Court will make a final determination of the allowable claim. The determination of how liabilities will ultimately be settled and treated cannot be made until the Bankruptcy Court approves the Chapter 11 plan.

The Debtors will continue to evaluate the amount and classification of their pre-petition liabilities in general through the remainder of their Chapter 11 cases. Should the Debtors, through its ongoing evaluation, identify additional liabilities subject to compromise, such amounts will be recognized accordingly. As a result, "Liabilities subject to compromise" are subject to change. Claims classified as "Liabilities subject to compromise" include both secured, as well as unsecured claims.

Note 7. Prior Period Adjustments:

As discussed in Note 2, the unaudited information included in the Operating Report is subject to further review and potential adjustments including those arising from the completion of the Company's 10K and 10Q for the year ended December 31, 2003 and the quarters ended March 31, June 30, 2004 and September 30, respectively. The following table reflects the prior period adjustments included in the results for the month ended November 30, 2004.

Dollars in 000s	Results for the Month Ended November 30, 2004	Prior Period Adjustments in November Results	Results for the Month Ended November 30, 2004 (as reported)
Revenues	$ 20,259	$ -	$ 20,259
Costs and expenses:			
Operating	12,819	74	12,893
Selling, general and administrative	6,442	-	6,442
Corporate	522	-	522
Depreciation	1,261	-	1,261
	21,044	74	21,118
Operating income	(785)	(74)	(859)
Other income (expense):			
Other, net	(17)	-	(17)
Interest expense	(90)	-	(90)
Net loss before reorganization charges and income taxes	(892)	(74)	(966)
Reorganization charges	(598)	-	(598)
Net loss before income taxes	(1,490)	(74)	(1,564)
Income tax provision	(42)	-	(42)
Net income loss	$ (1,532)	$ (74)	$ (1,606)
Basic and diluted net loss per share	$ (0.05)		$ (0.05)
Weighted average number of shares	29,959,000		29,959,000

<u>EXHIBIT 5</u>

PROPOSED INTEREXCHANGE TARIFF

TARIFF APPLICABLE TO COMPETITIVE
INTEREXCHANGE TELECOMMUNICATIONS SERVICES
WITHIN THE STATE OF SOUTH CAROLINA
PROVIDED BY
ATX LICENSING. INC. ("Company")

This tariff is on file with the South Carolina Public Service Commission ("Commission"), and copies may be inspected, during normal business hours, at the Company's principal place of business.

Bruce Bennett, Vice President - External Affairs
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CHECK SHEET

The Title Page and Pages 1 through 36 inclusive are effective as of the date shown. Original and revised pages as named below contain all changes from the original tariff that are in effect on the date thereof.

PAGE	NUMBER OF REVISIONS	PAGE	NUMBER OF REVISIONS
1	Original	31	Original
2	Original	32	Original
3	Original	33	Original
4	Original	34	Original
5	Original	35	Original
6	Original	36	Original
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APPLICATION OF TARIFF

This tariff contains the regulations and changes applicable to intrastate interexchange telecommunications services provided by ATX Licensing, Inc. to customers within the State of South Carolina.

SEVERABILITY

In case any one or more of the provisions contained on this Tariff shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Tariff shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

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EXPLANATION OF SYMBOLS
AND ABBREVIATIONS

The following are the only symbols used for the purposes indicated below:

D - Delete or Discontinue
I - Change Resulting in an Increase to a Customer’s Bill
M - Moved From Another Tariff Location
N - New
R - Change Resulting in a Reduction to a Customer’s Bill
T - Change In Text or Regulation

The following are the only abbreviations used for the purposes indicated below:

LATA - Local Access and Transport Area

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TARIFF FORMAT

A. PAGE NUMBERING - Page numbers appear in the upper right comer of the page. Pages are numbered sequentially. However, new pages are occasionally added to the tariff. When a new page is added between pages already in effect, a decimal is added. For example, a new page added between pages 14 and 15 would be 14.1.

B. PAGE REVISION NUMBERS - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the Commission. For example, the 4th revised Page 14 cancels the 3rd revised Page 14. Because of various suspension periods, deferrals, etc. the Commission follows in its tariff approval process, the most current page number on tile with the Commission is not always the tariff page in effect. Consult the Check Sheet for the page currently in effect.

C. PARAGRAPH NUMBERING SEQUENCE - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.
2.1.1.
2.1.1.A.
2.1.1.A.I.
2.1.1.A.I.(a).
2.1.1.A.I.(a).I.
2.1.1.A.I.(a).I.(i).
2.1.1.A.I.(a).I.(i).(l).

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TARIFF FORMAT (Con'd)

D. CHECK SHEETS -When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the Check Sheet is changed to reflect the revision. All revisions made in a given tiling are designated by an asterisk (*). There will be no other symbols used on this page if these are the only changes made to it (i.e. the format, etc. remain the same, just revised revision levels on some pages). The tariff user should refer to the latest Check Sheet to find out if a particular sheet is most current on file with the Commission.

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SECTION 1 -DEFINITION OF TERMS

ACCESS LINE - An arrangement from a local exchange telephone company or other common carrier, using either dedicated or switched access, which connects a subscriber's location to ATX Licensing, Inc.' location or switching center.

AUTHORIZATION CODE - A numerical code, one or more of which may be assigned to a subscriber, to enable ATX Licensing, Inc. to identify the origin of service user so it may rate and bill the call. All authorization codes shall be the sole property of ATX Licensing, Inc. and no subscriber shall have any property or other right or interest in the use of any particular authorization code. Automatic numbering identification (ANI) may be used as or in connection with the authorization code.

AUTOMATIC NUMBERING IDENTIFICATION (ANI) - A type of signaling provided by a local exchange telephone company which automatically identities the local exchange line from which a call originates.

CARRIER - Used throughout this tariff to mean ATX Licensing, Inc.

COMMON CARRIER - A company or entity providing telecommunications services to the public.

HOLIDAY - New Year's Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

LOCAL ACCESS AND TRANSPORT AREA (LATA) -The term "Local Access Transport Area" denotes a geographical area within which a local exchange company provides communications services.

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SECTION 1 - DEFINITION OF TERMS (Con'd)

TELECOMMUNICATIONS - The transmission of voice communications or, subject to the transmission capabilities of the service, the transmission of data, facsimile, signaling, metering, or other similar communications.

CUSTOMER - The calling party utilizing Carrier's services and responsible for the payment of charges, unless that responsibility has been accepted by others, such as in the case of collect and third party calls.

USER DIALED CALLING CARDS CALLS - Calling Card Calls which do not require intervention by an attended operator position to complete.

SUBSCRIBER SURCHARGE - A surcharge imposed by the Subscriber, to be paid by the User, for the use of Subscriber's telephone instruments and other facilities in obtaining access to Carrier's services.

NON-RESIDENTIAL/COMMERCIAL SERVICE - Telephone service to a location other than a dwelling, except that service to a dwelling used for both residential and commercial purposes shall be considered non-residential/commercial service.

DWELLING - A house, apartment or other location where a person resides.

RESIDENTIAL SERVICE - Telephone service supplied to a dwelling, including service provided to a location used for both residential and commercial purposes if no concurrent commercial service is provided. The term does not include telephone service provided to a hotel or motel.

SECTION 1 - DEFINITION OF TERMS (Con'd)

[PAGE RESERVED FOR FUTURE USE]

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SECTION 2 - RULES AND REGULATIONS

2.1 Application of Tariff

2.1.1 This tariff contains the regulations and rates applicable to resale telecommunications services provided by Carrier for telecommunications between points within the State of South Carolina. The aforementioned services are furnished subject to the availability of facilities and subject to the terms and conditions of this tariff.

(a) Carrier may, from time to time, offer various enhanced services and information services within the State of South Carolina. Such services will be provided pursuant to contract and will not be governed by this tariff.

(b) Carrier may also, from time to time, offer switching or transmission to other telecommunications carriers, for resale to such companies' customers. The rates for such services will be determined pursuant to contract, to the extent authorized by the Commission, and Section 4 of this tariff will not apply thereto.

2.1.2 The services of Carrier are not part of a joint undertaking with any other entity providing telecommunications channels, facilities or services.

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SECTION 2 -RULES AND REGULATIONS (Con'd)

2.1 Application of Tariff (Con'd)

2.1.3 The rates and regulations contained in this tariff apply only to services furnished by Carrier and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carrier for use in accessing the services of Carrier.

2.1.4 Carrier's services are furnished to pre-subscribed authorized Customers. Carrier enters into arrangements with such Customers providing for the availability of Carrier's nationwide services, including the intrastate services offered under the terms and conditions of this tariff.

2.2 Use of Services

2.2.1 Carrier's services may be used for any lawful purpose consistent with the transmission and switching parameters of the telecommunications facilities utilized in the provision of services.

2.2.2 The use of Carrier's services to make calls which might reasonably be expected to frighten, abuse, torment or harass another or in such a way as to unreasonably interfere with use by others is prohibited.

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SECTION 2 - RULES AND REGULATIONS (Con'd)

2.2 Use of Services (Con'd)

2.2.3 The use of Carrier's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.

2.2.4 Carrier's services are available for use twenty-four hours a day, seven days per week.

2.2.5 Carrier does not transmit messages pursuant to this tariff, but its services may be used for that purpose.

2.2.6 Carrier's services may be denied for nonpayment of charges or other violations of this tariff.

2.3 Service Availabilitv

2.3.1 The Carrier offers services to all those who desire to purchase service with the Carrier consistent with the provisions of this tariff, Customers interested in the Carrier's services shall tile a service application with the Carrier which fully identifies the Customer and identifies the services requested.

2.3.2 Service is offered subject to the Carrier's ability to technically provide the service requested and subject to the availability of the necessary facilities and/or equipment.

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2.4 Liability of Carrier

2.4.1 Carrier shall not be liable for loss or damage sustained by reason of any failure in or breakdown of facilities associated with Carrier's services, whatever shall be the cause of such failure, breakdown, or interruption and whether negligent or otherwise and however long it shall last, In no event shall Carrier's liability for any service exceed the charges applicable under this tariff to such a service.

2.4.2 Carrier shall be indemnified and held harmless by any Customer, user or by any other entity against claims for libel, slander or the infringement of copyright arising from the material transmitted over its services; and against all other claims arising our of any act or omission of a Customer or of any other entity in connection with the services provided by Carrier.

2.4.3 Carrier is not liable for any act or omission of any entity furnishing facilities or services connected with or provided in conjunction with the services of Carrier.

2.4.4 Carrier shall not be liable for any personal injury, or death of any person or persons, and for any loss or damage sustained by reason of acts, mistakes, omissions, errors or defects in providing its services, whatever shall be the cause and whether negligent or otherwise.

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SECTION 2 _ RULES AND REGULATIONS (Con'd)

2.4 Liabilitv of Carrier (Con'd)

2.4.5 Carrier shall not be liable for and shall be indemnified by any Customer, user or other entity from any and all loss, claims, demands, suits, or other action or any liability whatever, whether suffered, made, instituted, or asserted by any Customer, user or any other entity for any personal injury to, or death of, any person or persons, and for any loss, damage, defacement or destruction of the premises of any Customer, user or any other entity or any other property whether owned or controlled by the Customer, user, or others, caused or claimed to have been caused, directly or indirectly, by any act or omission of the Customer, user or others, or by any installation of the Customer, user or others or by any installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of facilities or equipment provided by Carrier which is not the direct result of Carrier's negligence. No agents or employees of any other entity shall be deemed to be the agents or employees of Carrier.

2.4.6 Carrier shall not be liable for any failure of performance due to causes beyond its reasonable control, including, without being limited to, acts of God, fires, floods or other catastrophes, national emergencies, insurrections, riots or wars, strikes, lockouts, work stoppage or other labor difficulties, acts or omissions of other carriers, and any law, order, regulation or other action of any governing authority or agency thereof.

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SECTION 2 -RULES AND REGULATIONS (Con’d)

2.4 Liabilitv of Carrier (Con’d)

2.4.7 The Carrier shall not be liable for :

(a) Unlawful use or use by an unauthorized person of the Carrier’s facilities and services;

(b) Any claim resulting from furnishing, installation, operation, maintenance, or removal of facilities at the Customer’s premises;

(b) Any claim arising out of a breach in the privacy or security of communications transmitted over the Company’s facilities;

(d) Changes in any of the facilities, operations, services or procedures of the Carrier that render any facilities or services provided by the Customer obsolete, or require modification or alteration of such facilities or services, or otherwise affect their use or performance. The Carrier will endeavor to advise the Customer on a timely basis of such change.

2.5 Installation

Service is installed upon mutual agreement between the customer and the Carrier. The service agreement does not alter the rates specified in the Tariff.

SECTION 2 -RULES AND REGULATIONS (Con'd)

2.6 Payment for Service

2.6.1 The customer is responsible for payment of all charges for services and equipment furnished to the customer or to an Authorized User of the Customer by Carrier. All charges due by the Customer are payable to the Carrier or to any agency duly authorized to received such payments. The billing agency may be a local exchange telephone company, interexchange carrier, or other billing service. Terms of payment shall be according to the rules of regulations of the agency and subject to the rules of regulatory agencies, such as the South Carolina PSC. Any objections to billed charges must be reported to the Carrier within thirty (30) days after receipt of the bill. If no objections are made within that time period, the charges will be considered as correct and undisputed. Adjustments to Customer's bills shall be made to the extent that circumstances reasonably indicated that such changes are appropriate. A late fee of 1.5% monthly will be charges on any past due balances.

2.6.2 In the event the Carrier incurs fees and expenses, including attorney's fees, in collecting or attempting to collect any charges owed the Carrier, the Customer will be liable to the Carrier, for the payment of all such fees and expenses reasonably incurred.

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SECTION 2 - RULES AND REGULATIONS (Con'd)

2.7 Cancellation bv Customer

Customer may cancel service by providing thirty (30) days written notice to the Carrier.

2.8 Interconnection

Service furnished by Carrier may be interconnected with the services or facilities of other carriers or private systems. However, service furnished is provided solely by the Carrier and is not a joint undertaking with other parties.

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SECTION 2 - RULES AND REGULATIONS (Con'd)

2.9 Refusal or Discontinuance bv Carrier

Carrier may refuse or discontinue service under the following conditions, without incurring any liability for damages due to loss of telephone service to the Customer, provided that, unless otherwise stated, the Customer shall be given ten (10) days notice to comply with any rule or remedy any deficiency:

(a) For noncompliance with or violation of any State, municipal or Federal law, ordinance or regulation pertaining to telephone service.

(b) For use of telephone service for any other property or purpose than that described in the application.

(c) For neglect or refusal to provide reasonable access to Carrier or its agents for the purpose of inspection and maintenance of equipment owned by Carrier or its agents.

(d) For noncompliance with or violation of Commission regulation or Carrier's rules and regulations on file with the Commission, provided five (5) days' written notice is given before termination.

(e) For nonpayment of bills, Carrier reserves the right to terminate/suspend service upon the following conditions:

(i) Residential customers: Suspension and/or termination of service shall not be made without five (5) days' written notice to the Customer, except in extreme cases.

(ii) Nonresidential customers: Suspension and/or termination of service shall not be made without twenty-four hours notice to the Customer, except in extreme cases.

(f) Immediate suspension or termination, without notice, in the event of Customer or Authorized User use of equipment in such a manner as to adversely affect Carrier's equipment or services to others.

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SECTION 2 - RULES AND REGULATIONS (Con'd)

2.9 Refusal or Discontinuance of Carrier (Con'd)

(g) In the event of tampering with the equipment or services owned by Carrier or its agents.

(h) For failure or refusal to provide the Carrier with a deposit or advance payment to insure payment of bills in accordance with the Carrier's regulations or failure to meet the Carrier's credit requirements, (See Section 2.13 of this Tariff for the Carrier's current deposit payment practices.)

(i) Immediate suspension or termination, without notice, in the event of unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of service, Carrier may, before restoring service, require the Customer to make, at his or her own expense, all changes in facilities or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the loss in revenue resulting from such fraudulent use.

(j) Without notice by reason of any order or decision of the court or other government authority having jurisdiction which prohibits Carrier from furnishing such service.

(k) For periods of inactivity over sixty (60) days.

(l) For failure of the Customer to make proper application for service.

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SECTION 2 -RULES AND REGULATIONS (Con'd)

2.9 Refusal or Discontinuance of Carrier (Con'd)

(m) Observance Of Internet Protocol

Customer shall observe all GANP (Generally Accepted Net Protocol) including but not limited to those relating to: (a) sales practices, including the prohibitions against mass unsolicited e-mail distributions (also known as "spamming"), and overt, direct advertising on discussion boards/newsgroups); (b) offensive flame wars (negative, inflammatory messages); (c) using alternate Internet access facilities from other service providers to route IP addresses furnished by Carrier or any of its backbone providers which is prohibited, and/or (d)any other behavior which reasonably could be considered harassment, including but not limited to foul language, impersonating another user or other individuals/entities, and other items. The Customer agrees to be held liable for Customer's actions and how they are interpreted by other Customers of the Internet.

In the event that Customer violates the aforementioned Internet protocol, the Customer's account may be terminated immediately at the sole discretion of Carrier without written, verbal or electronic notice and Customer will be subject to any and all remedies available to Carrier and/or its backbone providers. Furthermore, Carrier may charge, and Customer agrees to pay, for all time and effort, costs and expenses, including reasonable attorney's fees, that Carrier spends on enforcing this Internet policy.

SECTION 2 -RULES AND REGULATIONS (Con'd)

2.10 Interruption of Service

Credit allowances for interruptions of service which are not due to the Carrier's testing or adjusting, to the negligence of the Customer, or to the failure of channels, equipment or communications systems provided by the Customer, are subject to the general liability provisions set forth in Section 2.4, herein. Whenever service to any customer is inoperative, for reasons other than those stated above, and the service remains inoperative for more than twenty-four (24) consecutive hours after being reported by the customer or having been found to be interrupted by the Carrier, the Carrier shall refund, upon request of the customer, the prorated part of that month's monthly charge(s) for the period of days during which the telephone service was not provided. The maximum credit during a single billing period shall not exceed the amount of toll charges and monthly recurring charges. The Carrier shall have no liability for interruptions due to the negligence of the Customer, or the failure of Customer provided equipment and facilities. Interruptions caused by Customer-provided or Carrier provided automatic dialing equipment are not deemed an interruption of service as defined herein since the Customer has the option of using the long distance network via local exchange company access. Carrier shall have no other liability for service interruptions.

2.11 Inspection. Testing and Adiustment

Upon reasonable notice, the facilities provided by the Carrier shall be made available to the Carrier for tests and adjustments as deemed necessary by the Carrier for maintenance. No interruption allowance will be granted for the time during which such tests and adjustments are made.

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SECTION 2 - RULES AND REGULATIONS (Con'd)

2.12 Contested Charges

All bills are presumed accurate, and shall be absolutely binding on the Customer unless objection is received by the Carrier within thirty (30) days after such bills are rendered. Billing disputes shall be processed by the Carrier consistent with Commission regulations. Customers unsatisfied with the Carrier's handling of a dispute may contact the Commission's Bureau of Consumer Affairs.

2.13 Deposits

The Carrier reserves the right to examine the credit record of all service applicants and require a service deposit when determined to be necessary to assure future payment. Required security deposits will be equal to not more than two (2) months estimated usage as computed by the Carrier and will in all respects be consistent with Commission Rules.

2.14 Deceptive Marketing Statement

As a telephone utility under the regulation of the Public Service Commission of South Carolina, Carrier does hereby assert and affirm that as a reseller of intrastate telecommunications service, Carrier will not indulge or participate in deceptive or misleading telecommunications marketing practices to the detriment of consumers in South Carolina, and will comply with those marketing procedures, if any, set forth by the Public Service Commission. Additionally, Carrier will be responsible for the marketing practices of its contracted telemarketers for compliance with this provision. Carrier understands that violation of this provision could result in a rule to show cause as to the withdrawal of its certification to complete intrastate telecommunications traffic within the state of South Carolina.

2.15 Taxes

Direct pass through charges, access fees, mandatory common carrier fees and charges, governmental surcharges and fees, and all federal, state and local taxes (i.e. gross receipts tax, sales tax, municipal utilities tax) are listed as separate bill items and are not included in the rates.

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SECTION 2 -RULES AND REGULATIONS (Con'd)

2.16 Advance Payments

For Customers whom the Carrier feels an advance payment is necessary, Carrier reserves the right to collect an amount not to exceed one (1) month's estimated charges. This will be applied against the next month's charges and a new advance payment may be collected the following month.

2.17 Billing Arrangements

2.17.1. Collect, Calling Card and Third Partv Calls

Charges for calls of this type will be included on the User's or called or third party's regular home or business telephone bill pursuant to billing and collection agreements established by Carrier or its intermediary with the applicable telephone company.

2.17.2. Credit Cards Calls

Charges for credit card calls will be included on the User's regular monthly statement from the card-issuing company.

2.18 Validation of End User Credit

Carrier reserves the right to validate the credit worthiness of Users through available credit card, calling card, calling number and room number verification procedures. Where a requested billing method cannot be validated, the User may be required to provide an acceptable alternative billing method or Carrier may refuse to place the call.

SECTION 3 - DESCRIPTION OF SERVICE

3.1 Timing and Billing of Calls

3.1.1 Billing for certain calls placed over the Carrier's network is based on the duration, distance and time of day of the call. Timing of each call begins as specified below, and ends when the called party hangs up.

3.1.2 Timing of each such call begins as specified below, determined by standard industry methods generally in use for ascertaining answer, including hardware answer supervision in which the local telephone company sends a signal to the Switch.

3.1.3. Collect Calls - Timing begins when the called party accepts the responsibility for payment.

3.1.4. Person-to-Person Calls (other than Collect) - Timing begins when the designated party comes on the line, or when the caller agrees to speak with a substitute party.

3.1.5. All Other Calls - Timing begins when the called station is answered, as determined by standard industry methods generally in use for ascertaining answer, including hardware answer supervision.

3.2 Calculation of Distance

Where charges for a service are specified based upon distance, the following rules apply:

Distance between two points is measured as airline distance between the rate centers of the originating and terminating telephone lines. The rate center is a set of geographic coordinates, as referenced in the Local Exchange Routing Guide issued by Bellcore, associated with each NPA-NXX combination (where NPA is the area code and NXX is the first three digits of a seven-digit telephone number). Where there is no telephone number associated with an access line on the Company's network (such as a dedicated 800 or WATS access line), the Company will apply the rate center of the Customer's main billing telephone number.

The airline distance between any two rate centers is determined as follows:

A. Obtain the "V" (vertical) and "H" (horizontal) coordinates for each Rate Center from the above-referenced Bellcore document.

B. Compute the difference between the "V" coordinates of the two rate centers; and the difference between the two "H" coordinates.

C. Square each difference obtained in 3.2.B above.

D. Add the square of the "V" difference and the square of the "H" difference obtained in step 3.2.C above.

E. Divide the sum of the squares by 10. Round to the next higher whole number if any fraction is obtained.

F. Obtain the square root of the whole number result obtained above. Round to the next higher whole number if any fraction is obtained. This is the airline mileage.

G. FORMULA = $\sqrt{\dfrac{(V1 - V2)^2 + (H1 - H2)^2}{10}}$

SECTION 3 -DESCRIPTION OF SERVICE (Con'd)

3.3 Services Offerings

Carrier's offers and provides numerous products including:

WATS - product providing users with services over regular or enhanced facilities and circuits, with distance sensitive rates which ensure optimal savings at higher calling volumes.

800 - product providing users with services over regular or enhanced facilities and circuits, noted for superior end user service, calling cost savings and options for customizing 800 numbers.

Travel Card - product providing users with travel card services via customized 800 numbers, with cost effective rates and volume discounts services to Subscriber and Users to whom services are provided.

IntraLATA Toll

InterLATA Toll

Additionally, Carrier offers operator assisted services which consist of the provision of collect, approved telephone company calling card, credit card, room charge, billed to a third number (third party) and person to person call services provided to users pursuant to arrangements established by Carrier's Subscribers, Service is available on a full time basis, twenty four (24) hours a day, seven (7) days a week. The applicable rates for these services are set forth in Section 4 of this tariff.

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SECTION 4 –RATES

4.1 Rate Descriptions

4.1.1 This section sets forth the rates and charges applicable to the Carrier's general services offering.

4.1.2 The total charge for certain completed call is dependent on the duration, distance and time of day of the call. The usage charge element is specified as a rate per time increment which applies to each time increment of call duration.

4.1.2 Each such completed call will be billed based upon a minimum initial call duration with additional fractional use being rounded up to the next full time increment. Calls originating in one time period and terminated in another will be rated according to the portion of the call applicable to each time period.

4.1.4 Charges for services which are not distance or time sensitive shall be billed according to call duration.

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SECTION 4 -RATES (Con'd)

4.2 Usage Charges: Inbound/Outbound Domestic WATS – Dedicated

Uniform Rate Period: All calls, placed at any time, will be billed at the following uniform rate:

Term	Rate
1 Year	$0.0690
2 Year	$0.0625
3 Year	$0.0590
Canadian Origination	$0.1500

- 30 second minimum/6 second increment billing
- Minimum 1 year term plan.
- PICC – The monthly recurring charge from the underlying carrier will be passed along as a $3.20 per month charge.
- Each toll free number will be billed $4.00 per month.

4.3 Usage Charges: Inbound/Outbound Domestic WATS – Switched

Term	Rate
1 Year	$0.0690
2 Year	$0.0625
3 Year	$0.0590
Canadian Origination	$0.1500

- 30 second minimum/6 second increment billing
- Minimum 1 year term plan.
- PICC – The monthly recurring charge from the underlying carrier will be passed along as a $3.20 per month charge.
- Each toll free number will be billed $4.00 per month.

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4.4 Usage Charges: Domestic Corporate Travel Service

Standard Rate: $0.26 per minute

- Calls to Canadian and International Destinations: $0.75 surcharge per call
- Standard travel pricing applies to all other call card calls
- Full Minute Billing

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SECTION 4 -RATES (Con'd)

4.5 Usage Charges: Directory Assistance

Uniform Rate Period: All IntraLATA, Intrastate Directory Assistance calls, placed at any time, will be billed at the following uniform rate::

Rate Element	Cost per Call
Local Directory Assistance - per local call	$0.57
National Directory Assistance - per local call	$0.95
National Directory Assistance - per LD/8XX call	$1.48

4.6 Account Codes

- Verifiable Account Codes
  - Codes are available for both Dedicated and Switched Long Distance customers.
  - They are available in lengths of 2-12 digits on-switch, and 2-5 digits off-net.
  - A customer will be charged a $5.00 fee per account/per month and a one-time installation fee of $15.00.
- Non-Verifiable Account Codes
  - Codes are available for both Dedicated and Switched Long Distance customers.
  - They are available in lengths of 2-12 digits on-switch, and 2-5 digits off-net.
  - A customer will be charged a $5.00 fee per account/per month and a one-time installation fee of $15.00.

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SECTION 5- National Access and Federal Universal Service

5.1 National Access Fee (End User Common Line Charge/EUCL)

The National Access fee establishes a monthly per-line access charge. The fee pays local phone companies for the access to their networks, and it is imposed on all businesses and residences presubscribed to Interexchange Carriers, National Access will be imposed as follows:

Service Type	Monthly Charge
Single-Line Business	$4.60 per line
Multi-Line Business	$4.70 per line
Centrex	$4.70 per line
Primary Residential	$6.50 per line
Non-Primary Residential	$6.50 per line
ISDN BRI	$4.64 per facility
ISDN PRI	$22.90 per facility

5.2 Federal Universal Service

The Universal Service Fee (USF) recovers the Telephone Company's contribution to various federal universal service funds. The Telephone Company will apply the USF Fee through a monthly surcharge applied to the total billed charges for interstate access services ordered by end users, as described below. The FUSF Revenue Surcharge will be determined by multiplying the contribution factor determined by the FCC, by the end user's total interstate access services charges at the billing account level.

The FCC contribution factor for the current quarterly period can be found on the FCC website at the following URL:

http://www.fcc.gov/wcb/universal_service/quarter.html

The Administrative Fee recovers the costs of administering certain programs, including, but not limited to, the Universal Service Fund and Telecommunications Relay Service fund. The Administrative Fee is charged at a flat 2% rate of all taxable billed amounts.

SECTION 6- **PAYPHONE SURCHARGE**

6.1 PAYPHONE SURCHARGE

The Payphone Surcharge shall apply to each coinless call placed by a Customer that is identified by the Company as placed from a domestic payphone by the Customer or its permitted users. This charge is for the use of the payphone instrument to access the Company's services.

Additionally, a per call surcharge shall apply to all calls to the Customer's 800/877/888 number that originate from a payphone.

Payphone Use Charge: $0.65 per call

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SECTION 7- **GUARANTEED SAVINGS PLAN™ PROGRAM**

The Guaranteed Savings Plan Program is offered, at the sole discretion of Carrier, to Carrier's business customers and/or potential business customers who meet certain minimum usage thresholds, In order to qualify for this program, the applicable customer must submit and pass any and all Carrier credit requirements, execute a Service Authorization Form and a Guaranteed Savings Plan Program Agreement and commit to a minimum service term. Carrier, at its sole option, will determine the rates, discounts, service terms and any and all other terms and conditions.

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VERIFICATION

STATE OF PENNSYLVANIA :
: ss.
COUNTY OF MONTGOMERY :

VERIFICATION

I, Bruce Bennett, state that I am Vice President for External Affairs of ATX Licensing, Inc. ("ATX"), Applicant in the foregoing Application; that I am authorized to make this Verification on behalf of ATX; that the foregoing Application was prepared under my direction and supervision; and that the statements in the foregoing document with respect to ATX are true and correct to the best of my knowledge, information, and belief.

Bruce Bennett
Vice President for External Affairs
ATX Licensing, Inc.

Sworn and subscribed before me this 4th day of January, 2005.

Kimberly M. [illegible]
Notary Public

My commission expires: ______________________